

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 12/13/2004

To: Birmingham

From: Birmingham

Squad 2/FIG

Contact: FA [REDACTED]

Ext. [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46B-BH-⁵¹⁷²¹NEW

Title: [REDACTED]

BOY SCOUTS OF AMERICA -
GREATER ALABAMA COUNCIL,
516 LIBERTY PARKWAY,
BIRMINGHAM, ALABAMA

Synopsis: To document information provided by an individual regarding possible fraud.

Details: On November 9, 2004, an individual contacted the Birmingham office of the FBI and provided the following information:

He/she stated that for at least [REDACTED] employees and volunteers of the Boy Scouts of America - Greater Alabama Council consisting of 22 counties within Alabama to overstate the number of scouts enrolled. He/she estimates that the numbers of scouts are overstated by approximately 25 percent. The non-existent scouts are referred to as "ghost units." The inflated numbers are used to increase the amount of funds received from charities such as the United Way. He/she also stated that the Greater Alabama Council also receives some Federal grant money for use in recruiting intercity scouts. It is believed that the money provided in the Federal grants is not being used for its intended purposes.

In some instances schools which are located within the Greater Alabama Council's District have been listed as hosting Boy Scout Troops. He/she stated that when the schools were contacted they were unaware of any Boy Scout activity in the school.

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To: Birmingham From: Birmingham
Re: 46B-BH-NEW, 12/13/2004

He/she also reports that large sums of cash are not being reported [redacted] He/she gave an example of an activity which involved six sessions and over 600 participants. Each participant payed \$15 to attend and after the event ended only 320 of the 600 were actually documented as attending. It is believed that cash is kept in a safe which is accessible to [redacted] at the main office located at 516 Liberty Parkway, Birmingham, Alabama.

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The caller stated that [redacted] was previously employed by the Boy Scouts in Dallas, Texas. He/she described a similar situation which had been alleged in Dallas and according to news articles had been investigated by Postal Inspectors. The article also referenced participation by AUSA [redacted] Dallas, Texas.

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AUSA [redacted] was contacted by FA [redacted] on 11/22/2004. AUSA [redacted] stated that Postal Inspector [redacted] [redacted] could provide further details. AUSA [redacted] further stated that if [redacted] were involved in the Birmingham Boy Scout investigation she highly suspects there would be fraud involved. AUSA [redacted] stated that [redacted] had helped cover up fraudulent activities in the Dallas Boy Scouts and that the main subject of the Dallas investigation was an individual by the name of [redacted] had previously been assigned to the Birmingham Boy Scouts. According to AUSA [redacted] when the investigation began in Dallas the scout executives all retained lawyers and were uncooperative with the investigation.

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It is recommended that a case be opened and assigned.

To: Birmingham From: Birmingham
Re: 46B-BH-NEW, 12/13/2004

LEAD(s):

Set Lead 1: (Action)

BIRMINGHAM

AT BIRMINGHAM, ALABAMA

Assign a lead to FA to assist in financial review.

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ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]
BOY SCOUTS OF AMERICA

Date Property Acquired: 12/22/2004
Source from which Property Acquired:
[REDACTED] GREATER ALABAMA COUNCI BSA
516 LIBERTY PARKWAY
BIRMINGHAM AL

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Anticipated Disposition: Acquired By: [REDACTED] Case Agent: [REDACTED]

Description of Property: 1B 1
Date Entered

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ONE (1) FORENSIC IMAGE OF SEAGATE HD S/N 138125S038535
(40GB)

ONE (1) FORENSIC IMAGE OF MAXTOR HD S/N 4G120J60605B1
(120GB)

ONE (1) IMATION DL TAPE IV OF 12/21/04 BACKUP LABELED
"TUESDAY TAPE1"

ONE (1) IMATION DL TAPE IV OF 12/21/04 BACKUP LABELED
"TUESDAY TAPE2"

Barcode: E03585111 Location: ECR

12/29/2004

Case Number: 46B-BH-51721
Owning Office: BIRMINGHAM

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ICMIPR01
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Title and Character of Case:

BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/21/2005

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 2

Barcode: E03585401

Location: ECR

04/28/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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Title and Character of Case:

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BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 3

Barcode: E03585402

Location: ECR

04/28/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/28/2005

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 4

Barcode: E03585403

Location: ECR

04/28/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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[REDACTED]
BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/28/2005

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 5

Barcode: E03585404

Location: ECR

04/28/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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Title and Character of Case:

[REDACTED]
BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/28/2005

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

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Barcode: E03585405

Location: ECR

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Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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BOY SCOUTS OF AMERICA

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Date Property Acquired: Source from which Property Acquired:

01/28/2005

Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

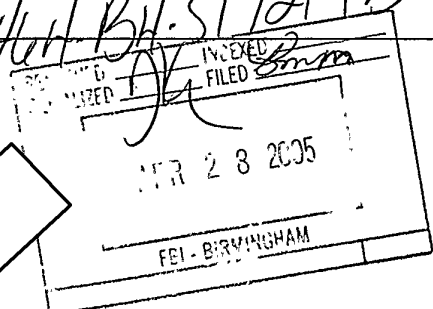
1B 7

Barcode: E03585406

Location: ECR

04/28/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM



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Date Property Acquired: Source from which Property Acquired:

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 8

Barcode: E03585408

Location: ECR

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Owning Office: BIRMINGHAM

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Date Property Acquired: Source from which Property Acquired:

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

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Barcode: E03585409

Location: ECR

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Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

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Barcode: E03585410

Location: ECR

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Case Agent:

Description of Property:

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1B 11

Barcode: E03585411

Location: ECR

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Case Agent:

Description of Property:

Date Entered

1B 12

Barcode: E03585412

Location: ECR

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Case Agent:

Description of Property:
1B 13

Date Entered

Barcode: E03585413

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1B 14

Barcode: E03585414

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Case Agent:

Description of Property:

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1B 15

Barcode: E03585415

Location: ECR

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BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 16

Barcode: E03585416

Location: ECR

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Case Agent:

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Date Entered

1B 17

Barcode: E03585417

Location: ECR

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Title and Character of Case:


BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 18

Barcode: E03585418

Location: ECR

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Case Number: 46H-BH-51721
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BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/31/2005

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 19

Barcode: E03585421

Location: ECR

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Page 1

Title and Character of Case:

BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/31/2005

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

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Barcode: E03585419

Location: ECR

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Case Number: 46H-BH-51721
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Page 1

Title and Character of Case:

BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/28/2005

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

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Barcode: E03585420

Location: ECR

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Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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Title and Character of Case:

[REDACTED]
BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/28/2005

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 22

Barcode: E03585422

Location: ECR

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Date Property Acquired: Source from which Property Acquired:

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

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Barcode: E03585424

Location: ECR

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BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

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Barcode: E03585425

Location: ECR

04/28/2005

Case Number: 46H-BH-51721
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Title and Character of Case:

[REDACTED]
BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/28/2005

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Anticipated Disposition: Acquired By:

[REDACTED]

Case Agent:

[REDACTED]

Description of Property:

Date Entered

1B 25

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Barcode: E03585426

Location: ECR

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Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

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Barcode: E03585427

Location: ECR

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Date Property Acquired: Source from which Property Acquired:

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

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Barcode: E03585428

Location: ECR

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Title and Character of Case:

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BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 28

Barcode: E03585429

Location: ECR

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BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

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Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 29

Barcode: E03585430

Location: ECR

04/28/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

4 SP 46H-BH-51721-1B29

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| SEARCHED | INDEXED |
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| APR 28 2005 | |
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04/29/05
13:48:09

FD-192

ICMIPR01
Page 1

Title and Character of Case:


BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/28/2005

b3
b6
b7C

Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 30

Barcode: E03585431

Location: ECR

04/28/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]
BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/28/2005

b3
b6
b7C

Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 31

Barcode: E03585432

Location: ECR

04/28/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

46H-BH-51721-1B31

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ICMIPR01
Page 1

Title and Character of Case:


BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/28/2005

b3
b6
b7C

Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1B 32

Barcode: E03585433

Location: ECR

04/28/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

46H-BH-51721-1B32

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| APR 28 2005 | |
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11:30:26

FD-192

ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]

Date Property Acquired: Source from which Property Acquired:

01/28/2005

[REDACTED]

b3
b6
b7C

Anticipated Disposition: Acquired By:

[REDACTED]

Case Agent:

[REDACTED]

Description of Property:

1B 33

Date Entered

[REDACTED]

Barcode: E03585781

Location: ECR

04/28/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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46H-BH-51721-1B33

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FD-192

ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]

Date Property Acquired: Source from which Property Acquired:

09/27/2005

[REDACTED] BOY SCOUTS

b6
b7C

Anticipated Disposition: Acquired By:

Case Agent:

[REDACTED]

[REDACTED]

Description of Property:

Date Entered

1B 34

MEMOS: FROM [REDACTED] 7/22/04; FROM [REDACTED] 9/26/05; FROM [REDACTED]
5/4/04 [REDACTED] 3/05. MEMO FROM [REDACTED] 2/18/05
SPREADSHEET. BANQUET PROGRAM 3/12/04. POTENTIAL SCOUT CARD,
GREEN CARD FROM [REDACTED] INFORMATION. LETTER
FROM [REDACTED] 3/18/04. 7 ENVELOPES ADDRESSED TO [REDACTED]

Barcode: E03585755

Location: ECR

10/21/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

46H-BH-51721-1B34

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FD-192

ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]

Date Property Acquired: Source from which Property Acquired:

04/24/2006

[REDACTED] REDDEN, MILLS, AND CLARK

b6
b7C

Anticipated Disposition: Acquired By:

[REDACTED]

Case Agent:

[REDACTED]

Description of Property:

Date Entered

1B 35

BANKER BOX OF BOY SCOUT FILES MARKED IKON ORIGINALS JOB#
030116, REDDEN, MILLS AND CLARK (1) OF (6)
ECT RECEIVED FD-192 VIA MAIL SLOT 5/2/06)

Barcode: E03585970

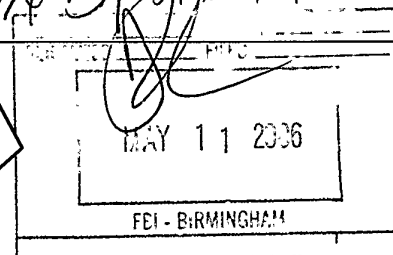
Location: ECR

05/12/2006

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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46H-BH-51721-1B35
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FD-192

ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]

Date Property Acquired: 04/24/2006 Source from which Property Acquired:
[REDACTED] ATTORNEY, REDDEN, MILLS AND CLARK

b6
b7C

Anticipated Disposition: Acquired By: Case Agent:

[REDACTED]

[REDACTED]

Description of Property:
1B 36

Date Entered

BANKER BOX OF BOY SCOUT FILES MARKED IKON ORIGINALS JOB#
030116, REDDEN, MILLS, AND CLARK, (2) OF (6)
ECT RECEIVED FD-192 VIA MAIL SLOT ON 5/2/06

Barcode: E03585971 Location: ECR

05/12/2006

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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FD-192

ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]

Date Property Acquired: Source from which Property Acquired:

04/24/2006

[REDACTED] REDDEN, MILLS, AND CLARK

b6
b7C

Anticipated Disposition: Acquired By:

[REDACTED]

Case Agent:

[REDACTED]

Description of Property:

Date Entered

1B 37

BANKER BOX OF BOY SCOUT FILES MARKED IKON ORIGINALS JOB#
030116, REDDEN, MILLS AND CLARK (3) OF (6)
(ECT RECEIVED FD-192 DRAFT VIA MAIL SLOT ON 5/02/06)

Barcode: E03585972 Location: ECR

05/12/2006

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]

Date Property Acquired: 04/24/2006 Source from which Property Acquired: [REDACTED] REDDEN, MILLS AND CLARK

b6
b7C

Anticipated Disposition: Acquired By: [REDACTED] Case Agent: [REDACTED]

Description of Property: 1B 38 Date Entered

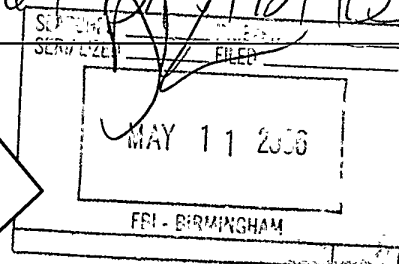
BANKER BOX OF BOY SCOUT FILES MARKED IKON ORIGINALS JOB#
030116, REDDEN, MILLS AND CLARK (4) OF (6)
ECT RECIEVED FD-192 DRAFT VIA MAIL SLOT ON 5/02/06

Barcode: E03585973 Location: ECR 05/12/2006

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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SP 46H-BH-51721-1B38
SA



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05/12/06
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FD-192

ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]

Date Property Acquired: 04/24/2006 Source from which Property Acquired: [REDACTED] REDDEN, MILLS AND CLARK

b6
b7C

Anticipated Disposition: Acquired By:

[REDACTED]

Case Agent:

[REDACTED]

Description of Property:
1B 39

Date Entered

BANKER BOX OF BOY SCOUT FILES MARKED IKON ORIGINALS JOB#
030116, REDDEN, MILLS, AND CLARK (5) OF (6)
ECT RECEIVED FD-192 DRAFT VIA MAIL SLOT ON 5/02/06

Barcode: E03585975

Location: ECR

05/12/2006

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

File [Signature]

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[Signature]
[REDACTED]
[Stamp: JUN 11 2006 FBI-BIRMINGHAM]

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05/12/06
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FD-192

ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]

Date Property Acquired: Source from which Property Acquired:

04/24/2006

[REDACTED] REDDEN, MILLS AND CLARK

b6
b7C

Anticipated Disposition: Acquired By:

[REDACTED]

Case Agent:

[REDACTED]

Description of Property:

Date Entered

1B 40

BANKER BOX OF BOY SCOUT FILES MARKED IKON ORIGINALS JOB#
030116, REDDEN, MILLS AND CLARK (6) OF (6)
ECT RECEIVED FD-192 DRAFT VIA MAIL SLOT ON 5/02/06

Barcode: E03585976

Location: ECR

05/12/2006

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

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[REDACTED]

46H-BH-51721-1B40
[Stamp: FILED, MAY 14 2006, FBI - BIRMINGHAM]

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17:42:17

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ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]

Date Property Acquired: Source from which Property Acquired:

09/12/2005

[REDACTED]

b6
b7C

Anticipated Disposition: Acquired By:

[REDACTED]

Case Agent:

[REDACTED]

Description of Property:

Date Entered

1C 1

BOY SCOUT ORG CHART, SPREADSHEETS PREPARED BY SUMMERFORD
AUDITORS

Barcode:

Location: GJR

09/22/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

File *CD* *6*

46H-BH-51721-1C1
SA
SEP 22 2005

46H-BH-51721-1C1

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ICMIPR01
Page 1

Title and Character of Case:

[Redacted]

Date Property Acquired: Source from which Property Acquired:

09/15/2005

BOY SCOUTS

b6
b7C

Anticipated Disposition: Acquired By:

[Redacted]

Case Agent:

[Redacted]

Description of Property:

Date Entered

1C 2

ROSTERS FOR MULBERRY DISTRICT

Barcode:

Location: GJR

09/22/2005

Case Number: 46H-BH-51721
Owning Office: BIRMINGHAM

File [Signature]

46H-BH-51721-1C2
TRC 12/22
SA
[Redacted]
[Stamp: INDEXED, SERIALIZED, FILED, SEP 22 2005, FBI - BIRMINGHAM]

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12/16/04
18:03:59

FD-192

ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]
BOY SCOUTS OF AMERICA

Date Property Acquired: 12/16/2004
Source from which Property Acquired:
CONSENSUAL MONITORING

b6
b7C
b7D

Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:
1D 1

Date Entered

(TCM) CASSETTE OF CONVERSATION ON [REDACTED] IN [REDACTED]
BETWEEN [REDACTED] AND [REDACTED]

Barcode: E02474300

Location: ELS1

12/16/2004

Case Number: 46B-BH-51721
Owning Office: BIRMINGHAM

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46B-BH-51721-1D1

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ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]

BOY SCOUTS OF AMERICA

Date Property Acquired: 12/16/2004
Source from which Property Acquired:
CONSENSUAL MONITORING

b6
b7C
b7D

Anticipated Disposition: Acquired By:

[REDACTED]

Case Agent:

[REDACTED]

Description of Property:

Date Entered

1D 2

(TCM) CASSETTE OF CONVERSATIONS ON [REDACTED] IN [REDACTED]
BETWEEN [REDACTED]

Barcode: E02474299

Location: ELS1

12/16/2004

Case Number: 46B-BH-51721
Owning Office: BIRMINGHAM

[Handwritten signature] #4
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[REDACTED]

46B-BH-51721-1D2

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ICMIPR01
Page 1

Title and Character of Case:

[REDACTED]

BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/25/2005

[REDACTED]

b6
b7C

Anticipated Disposition: Acquired By:

[REDACTED]

Case Agent:

[REDACTED]

Description of Property:

Date Entered

1D 3

(VOL) VOLUNTEERED MICRO-CASSETTE

Barcode: E02474328

Location: ELS1

01/26/2005

Case Number: 46B-BH-51721
Owning Office: BIRMINGHAM

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46B-BH-51721-1D3

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Title and Character of Case:

BOY SCOUTS OF AMERICA

Date Property Acquired: Source from which Property Acquired:

01/25/2005

b6
b7C

Anticipated Disposition: Acquired By:

Case Agent:

Description of Property:

Date Entered

1D 4

(VOL) VOLUNTEERED MICRO-CASSETTE TAPE

Barcode: E02474329

Location: ELS1

01/26/2005

Case Number: 46B-BH-51721
Owning Office: BIRMINGHAM

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Date: 12/15/2004

To: SAC, Birmingham

For FBI Field Office use only
CM#:

From: SA [redacted] (46B-BH-51721-ELA1) (P)

Title: [redacted]

BOY SCOUTS OF AMERICA
GREATER ALABAMA COUNCIL,
516 LIBERTY PARKWAY
BIRMINGHAM, ALContact: SA [redacted]
Phone: [redacted]
Squad: 4b6
b7CNotification of SAC/ASAC Authority Granted for Use of Telephonic and/or Nontelephonic Consensual Monitoring Equipment In Criminal Matters Only.
This form must be submitted within 7 working days of the date authority is granted as shown in Item 5 below.

| | | | |
|---|--|---|--|
| 1. Reason for Proposed Use: (Check) <input checked="" type="checkbox"/> Corroborate Testimony <input type="checkbox"/> Protect Consenting Party <input type="checkbox"/> Protect Government Property <input checked="" type="checkbox"/> Collect Evidence | | 2. Type of Equipment: (Check) <input type="checkbox"/> CCTV/Audio & Video <input checked="" type="checkbox"/> Concealed Recorder <input checked="" type="checkbox"/> Telephone <input type="checkbox"/> CCTV Video Only <input type="checkbox"/> Microphone <input type="checkbox"/> Transmitter/Receiver <input type="checkbox"/> Software Program, Network Monitoring Device, or Modem <input type="checkbox"/> Other (Specify) _____ | |
| 3. Consenting Party (Identify ONLY on Field Office Copy) <input checked="" type="checkbox"/> Nonconfidential Party [redacted] <input type="checkbox"/> Confidential Source <input type="checkbox"/> Cooperative Witness <input type="checkbox"/> UCE | | 4. Interceptee(s): (If Public Official, Include Title & Entity) [redacted] & others as yet unknown. | |
| 5. Duration of proposed use: Authority Granted On: <u>12/15/2004</u> <input checked="" type="checkbox"/> For the duration of investigation: <input type="checkbox"/> For 90 days Expiring On: _____ | | 6. Equipment Concealed: <input type="checkbox"/> In a Computer System <input type="checkbox"/> In a Residence <input type="checkbox"/> In a Motel Rm. <input checked="" type="checkbox"/> In a Telephone <input checked="" type="checkbox"/> On a Person <input type="checkbox"/> In a Vehicle <input type="checkbox"/> Other (Specify) _____ | |
| 7. City & State where Equipment will be used: [redacted] | | b6 b7C b7D | |
| 8. The following mandatory requirements have been met: <input checked="" type="checkbox"/> Consenting party has agreed to testify; <input checked="" type="checkbox"/> Consenting party has agreed to execute the consent form prior to monitoring/recording; & <input checked="" type="checkbox"/> Recording/transmitting device will be activated only when consenting party is present. | | 9. Trial Attorney responsible for prosecuting the case or designated DOJ Attorney has been contacted, foresees no entrapment, and has advised the monitoring is legal & appropriate. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Date of Contact: <u>12/10/2004</u> Identity of Gov't Atty: AUSA [redacted] Judicial District where the case is expected to be prosecuted: NDAL | |
| 10. Violation(s): Title(s) <u>18</u> U.S.C., § <u>1341</u> | | | |
| 11. DOJ written approval required <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No. If "Yes" check reason below: NOTE: Requests for Routine NTCM usage involving any of the 6 sensitive circumstances require an EC to FBIHQ prepared in the format described in the MIOG, Part II, Section 10-10.3 (8). Request for Emergency NTCM usage involving any of the 6 sensitive circumstances requires immediate contact with the FBIHQ substantive desk for DOJ approval. The 6 sensitive circumstances do not apply to the use of telephonic consensual monitoring or CCTV video only. | | | |
| 1. <input type="checkbox"/> Monitoring relates to an investigation of a member of Congress, a federal judge, a member of the Executive Branch at Executive Level IV or above, or a person who has served in such capacity within the previous 2 years. 2. <input type="checkbox"/> Monitoring relates to an investigation of the Governor, Lieutenant Governor, or Attorney General of any state or territory, or a judge or justice of the highest court of any State or Territory, & the offense investigated is one involving bribery, conflict of interest, or extortion relating to the performance of his/her official duties. 3. <input type="checkbox"/> Consenting/nonconsenting party is a member of the diplomatic corps of a foreign country. 4. <input type="checkbox"/> Consenting/nonconsenting party is or has been a member of the Witness Security Program & that fact is known to the agency involved or its officers. 5. <input type="checkbox"/> Consenting/nonconsenting party is in the custody of the Bureau of Prisons or the U.S. Marshals Service. 6. <input type="checkbox"/> Attorney General, Deputy Attorney General, Associate Attorney General, Assistant Attorney General for the Criminal Division, or the U.S. Attorney in the district where an investigation is being conducted has requested the investigating agency to obtain prior written consent for making a consensual interception in a specific investigation. | | | |
| 12. Synopsis of Case: (Attach additional page if necessary) [redacted] | | | |

Greater Alabama Council, Boy Scouts of America, are allegedly directing employees of the Boy Scouts to falsify enrollment numbers by creating fictitious names, changing dates of birth, enrolling youths and adults without their knowledge.

b6
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| | | | |
|--|--|---|--|
| Field Approval: Squad Supervisor: [Signature] 13. CDC (If Applicable) Signature: [Signature] Date: _____ 14. SAC/ASAC Signature: [Signature] Date: <u>12/15/04</u> | | FBIHQ Approval 15. Unit Chief (If Sensitive Circumstances Exist) Signature: _____ Date: _____ | |
|--|--|---|--|

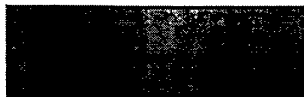
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46B-BH-51721-2

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Birmingham Boy Scouts Under FBI Probe

POSTED: 11:41 p.m. CST December 28, 2004
UPDATED: 10:19 a.m. CST December 29, 2004

Story by nbc13.com

BIRMINGHAM, Ala. — The Birmingham Boy Scout office confirmed Tuesday that an FBI investigation is under way.

Officials are simply calling the probe an inquiry. The FBI first contacted the organization last Thursday.

Officials won't say what is being investigated. Both the U.S. Attorney's Office and the FBI told NBC13 they couldn't comment. The Boy Scout Council spokesperson's statement indicates the probe could deal with record-keeping.

"We are audited annually by independent accountants and we have several self-implemented auditing procedures that exceed those suggested by the national BSA," a council spokesperson said. "We take these concerns very seriously and have formed independent committees to look into these matters and we are cooperating fully with the inquiry."

The greater Birmingham council serves 22 counties in northern Alabama totalling about 30,000 scouts.

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46B-BH-51721-3
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FBI Investigates Birmingham Boy Scouts

Council Serves About 30,000 Scouts Through Northern Alabama

POSTED: 11:41 p.m. CST December 28, 2004
UPDATED: 11:49 a.m. CST December 29, 2004

Story by nbc13.com

BIRMINGHAM, Ala. -- The Birmingham Boy Scout office confirmed Tuesday that an FBI investigation of their office is under way.



BOY SCOUTS OF AMERICA

Officials are simply calling the probe an inquiry. The FBI first contacted the organization last Thursday.

Officials won't say what is being investigated. Both the U.S. attorney's office and the FBI told NBC13 they couldn't comment.

Boy Scout Council representatives said the federal government's inquiry involves alleged record keeping violations, particularly alleged attempts to inflate scout membership numbers

to qualify for more federal funds.

"We are audited annually by independent accountants and we have several self-implemented auditing procedures that exceed those suggested by the national BSA," said Keith Williams, marketing director of the Greater Birmingham council. "We take these concerns very seriously and have formed independent committees to look into these matters and we are cooperating fully with the inquiry."

The greater Birmingham council serves 22 counties in northern Alabama totaling about 30,000 scouts.

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46B-BH- 51721-4 *jet*



FBI investigates allegations of false Boy Scout numbers

Thursday, December 30, 2004

VIVI ABRAMS and WALTER BRYANT
News staff writers

The FBI is investigating the Greater Alabama Council of the Boy Scouts of America to see if membership numbers have been inflated, board members said Wednesday.

Exaggerating membership numbers could lead to greater financial support, board members said.

The council is said to serve 50,000 youngsters in 22 counties in central and northern Alabama. This includes 30,000 enrolled in traditional scout units and 20,000 elementary school students receiving in-class character education using resources provided by the Boy Scouts, said Randy Haines, vice chairman of the council, which is led by paid directors and a volunteer board.

Haines said the FBI contacted the council two weeks ago about allegations of possible inaccuracies in membership figures. About the same time, Haines said he and other scout officials began hearing similar word-of-mouth reports.

"We take the allegations seriously," Haines said. "We are a highly principled organization, and irregularities are totally out of character."

But another board member, Tom Willis, said the charges of discrepancies in membership numbers are not only accurate but widespread across the country and are encouraged by the national Boy Scouts of America organization's pressure on district leaders to keep increasing the number of scouting groups.

'Ghost units' :

There is even a term for fake troops: "ghost units," Willis said.

Willis, a five-year board member, said he recently saw a roster of 135 units in his home Arrowhead District, which includes Morgan, Lawrence and Limestone counties. Only about half of those are real, traditional groups, he contends. "I pretty much know what units are out there," he said.

He said donations garnered through inflated numbers go to funding the central administration and not individual troops or programs for children.

Willis said the FBI investigation follows a growing distrust by some volunteers of the paid leadership of the council. That distrust was magnified by the recent debate over whether to spend \$5.6 million to acquire land in Blount County for a super camp to replace smaller regional camps, he said. He said he and others felt the price had been inflated by the owners.

The emotional issue of shutting down existing camps added to worries about buying a \$5.6 million property when the council is \$200,000 in debt, Willis said.

46B-BH-51721-5 jat

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12/30/2004

While looking into the camp, the council and scouting leaders discussed waning attendance at scouting camps and questions about the number of reported scouts arose among scout troop leaders. When they tried to get answers, they were denied information, he said.

Several concerns :

Willis said he helped organize a meeting in November that grew into three meetings of a group of more than 100 volunteer scouting leaders, who on Dec. 1 presented a list of about five or six concerns to outgoing board president John D. Johns and the incoming president, Willis said.

"The accountability with numbers was one of those," he said. "We asked for an independent audit of those numbers."

Haines said the Boy Scouts are doing an internal audit.

Willis said he believes the FBI investigation will turn up "extremely significant" errors.

"It's sad when our basic foundation is what it is, and we get into something like this," he said.

He said that the volunteer committee has good motives for challenging the council and is not aimed at creating more negative press for the Boy Scouts.

"Our real goal is just to make the scouting program better for our youth," he said. "We want more accountability."

A significant source of money for the Greater Alabama Council is the United Way. The council has asked for \$940,855 in 2005, spokeswoman Samuella Nesbitt said.

"United Way's leadership is aware that the FBI has made an inquiry into the reporting procedures of the Greater Birmingham Council of Boy Scouts of America," she said. "We do not have any details about the inquiry." vabrams@bhamnews.com wbryant@bhamnews.com

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Subpoena expected for Scout records

Tuesday, January 04, 2005

JEFF HANSEN and VIVI ABRAMS
News staff writers

The FBI has told United Way of Central Alabama it will subpoena documents relating to the Boy Scouts of America's Greater Alabama Council, Ellyn Grady, United Way's senior vice president for agency impact, said Monday.

Boy Scout board members last week announced the FBI was investigating the Greater Alabama Council to see if membership numbers have been inflated. Some board members have been concerned that membership levels are inflated and have asked for an independent audit.

Grady said that United Way will cooperate with FBI requests for documents.

"We hope that all these allegations are unfounded," she said. "Right now from our records we have no indication there is any need for a federal investigation. But I also have to admire a board of directors who are willing to challenge their own agency."

The Greater Alabama Council's offices were closed Monday, and attempts to reach council leaders were unsuccessful.

Over the past 10 years, United Way of Central Alabama has allocated \$8.1 million to the Greater Alabama Council, including \$940,855 for 2005, United Way records show. This is about 15 percent of the council's current operating budget. Program revenue, fund-raising drives and sales of merchandise are other sources of income.

Although the FBI in Birmingham has made no comment on its probe, an investigation by the U.S. Postal Service and a federal grand jury in Dallas that began five years ago centered on whether the Boy Scout chapter there had padded its memberships to justify higher donation requests.

Numbers, funding cut:

The two-year mail fraud probe resulted in the Dallas-area Boy Scout chapter cutting its membership claims from 52,000 to 33,527. In response, the United Way of Metropolitan Dallas cut its funding for the chapter by 20 percent.

The Greater Alabama Council is said to serve 50,000 youngsters in 22 counties in central and northern Alabama. This includes 30,000 enrolled in traditional Scout units and 20,000 elementary school pupils receiving in-class character education using resources provided by the Boy Scouts, said Randy Haines, vice chairman of the council, which is led by paid directors and a volunteer board.

On Monday, Boy Scout leaders and volunteers from around the country said that the Alabama allegations, if true, reflect Boy Scout membership padding practices that have led to investigations in Florida, Georgia, Texas and Illinois.

"It is rare and to their credit that council board members speak out about BSA finances and operations," said Jay Thal, a Scout leader in Washington. He said he became an Eagle Scout 50 years ago and has seen many instances of financial misconduct and inflated membership numbers at the organization's administrative level.

'Ghost troops':

Tom Willis, a Greater Alabama Council executive board member, has gathered with a large group of volunteers to ask the council for information about membership numbers and finances. According to Willis and others, pressure on district leaders to maintain or increase numbers of Scouts is so great that some have pored through phone books to find names to include in false troops, which are sometimes called "ghost units."

Others have found roadblocks to information flow.

Ralph Stark, a Scout leader at a church in Locust Fork, said he got a negative response last month after he asked the Greater Alabama Council for a list of the Scout leaders in the region.

He said he sent an e-mail, a fax and a registered letter to the council before receiving a response. When he sent a letter to Executive Director Ron Holmes about his displeasure with the delay, two Boy Scout officials came to his church to speak with his pastor.

Stark said that even though the two did not say it outright, he felt they were there to keep him from asking more questions. Pastor Roy White agreed.

"Whatever their motives were, I don't know," White said. "I kind of got the idea after it was all over that they wanted him to be quiet."

Haven't seen padding:

Some Birmingham area district executives said they have not seen any membership padding.

"Our job description is to sign up units. We help with the fund-raising," said Ernesto Obregon, who works in the Vulcan District, which includes the over-the-mountain communities of Homewood, Vestavia Hills and Mountain Brook. "As with any sales force, our job is to maintain volume and level."

Every December, district executives are supposed to visit each unit in the district to see which ones want to recharter. Obregon, an Episcopal priest, said he has visited half to three-fourths of the troops and expects to finish in mid-January. So far, all are real, he said. If a troop does not recharter, it's supposed to be dropped from the rolls, he said.

"I've never been pressured for things like ghost units," he said. "Part of it might be my background. They wouldn't even bother."

E-mail: jhansen@bhamnews.com vabrams@bhamnews.com Boy Scouts, Page XX -- BOY SCOUTS:

Council's board questions numbers

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/06/2004

[redacted] date of birth [redacted] social security account number [redacted] place of residence [redacted] telephone number [redacted] [redacted] was interviewed by telephone. After being advised of the identity of the interviewing agent and the nature of the interview, [redacted] provided the following information:

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[redacted] went to the Birmingham, Alabama service center of the GREATER ALABAMA COUNCIL OF THE BOY SCOUTS OF AMERICA (GAC). [redacted] of about 675 names of Chartered Organization Representatives (COR). The list did not contain any addresses. He recognized the first few names on the list as being legitimate names. A [redacted] [redacted] was on the list. [redacted] name is [redacted] she lives in [redacted] and used to be involved with GAC.

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[redacted]

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An employee of [redacted] witnessed this incident.

In a second phone call with the interviewing agent on the same date, [redacted] [redacted] suggested an audit should be performed by someone other than paid, GAC employees because the number of adults and youths are kept on paper at the GAC office. Also, any computer activity is electronically monitored by employee number and password; therefore an electronic trail of changes is kept by BOY SCOUTS OF AMERICA (BSA).

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According to BSA policy, validation forms must be kept in a file; this is the first file to be reviewed by BSA auditors. The data is also kept at BSA in Irving, Texas.

Investigation on 12/03/2004 at Birmingham, Alabama (telephonically)

File # 46B-BH-51721-7

Date dictated 12/06/2004

by SA [redacted] *jet*

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/06/2004

[redacted] date of birth [redacted] social security account number [redacted] place of residence [redacted] telephone number [redacted]
[redacted] was interviewed by telephone. After being advised of the identity of the interviewing agent and the nature of the interview, [redacted] provided the following information:

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[redacted] has compiled a list of current employees of the GREATER ALABAMA COUNCIL (GAC) of the BOY SCOUTS OF AMERICA from the internet, which he will forward to the interviewing agent.

[redacted] attended a GAC meeting, which lasted about three hours. The outgoing and incoming presidents and the outgoing and incoming commissioners of the board of directors of GAC were in attendance. The

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[redacted] telephone number [redacted] is [redacted]
[redacted] who is employed by [redacted]

At the meeting [redacted] a GAC volunteer, reported that at the October, 2003, cub haunted weekend at camp Sequoyah, he counted around seven hundred youths and adults in attendance. GAC camping activities report showed only about 500 youths and adults in attendance. [redacted] questioned paid members of GAC about the discrepancy and was told it was incorrectly reported for insurance purposes.

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At the meeting the existence of phantom units was discussed. [redacted] indicated that they wanted to clean-up the number of youths and adults in the GAC, eliminating ghost members.

In a second phone call to the interviewing agent on the same date, [redacted] advised that the annual meeting of GAC, which was scheduled for December 9, 2004, was going to be postponed. [redacted] wanted to make the meeting legal. Voting members, the charter organization representatives, did not receive the required meeting notice, which was supposed to be sent in advance. The meeting will be moved to February, 2005, so that proper notices can be sent out. [redacted]

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Investigation on 12/06/2004 at Birmingham, Alabama (telephonically)

File # 46B-BH-51721 - 8

Date dictated 12/06/2004

by SA [redacted] *gjt*

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Continuation of FD-302 of [REDACTED], On 12/06/2004, Page -2-

interviewing agents phone number and advised him to call the
interviewing agent.

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[REDACTED] of GAC is [REDACTED]
indicated that the most helpful [REDACTED]
[REDACTED]

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/28/2004

[redacted] the UNITED WAY OF CENTRAL ALABAMA, INC. (UW), telephone number [redacted] was interviewed at her place of employment, 3600 8th Avenue South, Birmingham, Alabama. After being advised of the identity of the interviewing agents and the nature of the interview, [redacted] provided the following information:

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The UW distributes funds through a citizen review process. The last campaign raised \$32.8 million for five counties, Jefferson, Blount, Shelby, Walker, and St. Clair. The UW has 80 partner agencies that it funds. The agencies provide health and human services and are designated 501c's. To be a partner an agency must submit an application, wait two years, submit 990's, have a board of directors, and be visited by the UW.

A contributor can designate which agency their dollars go to. A committee of 28 people decide how to distribute the money raised from the campaign. Agencies submit an application to request funding; information on the application includes programs, numbers served, outcomes, and a budget. Applications are submitted in September with a request for funding and a justification for the amount requested.

A team of 25 to 30 people, along with a chairman, visit each agency. The board of directors for an agency gives a presentation so that the committee gets a sense of the agency and the management. The team chairman guides the team and takes their recommendation to a hearing where the allocation of funds is decided. Every penny that is raised is allocated and a recommendation of the distribution is given to the board of directors of the UW. When the board of directors approves the distribution, a letter is sent to each partner agency to let them know how much funding they've been allocated.

If a partner agency inflated their numbers served they would undergo the agency review process. The agency would be audited. No agency has undergone the review process in the last twelve years. The UW board would meet with the agencies board to disclose their findings. The agency would be given a chance

Investigation on 12/14/2004 at Birmingham, Alabama

File # 46B-BH-51721 - 9

Date dictated 12/28/2004

by SA [redacted]
SA [redacted]b6
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b7cContinuation of FD-302 of , On 12/14/2004, Page 2

to rectify the situation. If the agency did not fix the problem then they would be no longer be funded.

This year the UW has implemented a program audit to review levels of service. Distributing a brochure, providing one time counseling, and daycare are different levels of service. An agency might count each brochure as serving a person. The audit was not added to pressure agencies to serve more but to report accurately the quality of service and the results.

There is a basic level of trust by the UW that organizations, especially national organizations like the boy scouts, will be honest in their applications. National organizations have well-respected boards and this is part of why the UW trusts them and does not do an in-depth review on every level. The UW relies on a valid process because if they do not do their job they will lose the confidence of their contributors.

Increasing the numbers served does not necessarily increase funding or give that partner an advantage over others in the program. UW will do level of service comparisons and look at contact hours. This prompted a change in the application to request funding. The UW is moving towards program audits and verification of enrollment. In deciding funding three years are compared and an increase in numbers served would effect the distribution. Numbers served has some effect on deciding funding allocation, but it's not the final decision.

If an agency had inflated their numbers served believes that the reasons the agency might do this would be to grow in national prestige, expand their territory, have more money and people, and to rise up in the organization.

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The UW receives federal grants and is audited four times a year. Some of the programs funded by the grants are directly through the UW and others are subcontracted to partner agencies. The UW administers a grant from the Department of Labor to provide youth opportunities. Other grants come from Health and Human Services. A partner agency can have grants which they applied for independently. All funding the agency receives must be reported to the UW. Within a three year period the agency must have an external, GAP audit. If the agency

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Continuation of FD-302 of , On 12/14/2004, Page 3

receives more than \$300 to \$500 thousand in federal dollars an A133 audit must be completed.

Most partner agencies hand deliver their applications because of the size of the application. UW funding is sent to the agencies monthly. Checks to the GREATER ALABAMA COUNCIL OF THE BOY SCOUTS OF AMERICA are usually mailed.

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 provided a blank copy of a 2005 allocation request application, which has been placed in the files of the FBI.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/28/2004

[redacted] the GREATER ALABAMA COUNCIL OF THE BOY SCOUTS OF AMERICA (GAC), was interviewed at her place of employment, 516 Liberty Parkway, Birmingham, Alabama. After being advised of the identities of the interviewing agents and the nature of the interview [redacted] provided the following information:

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GAC keeps three years of unit information on file. The seven file cabinets on the left wall contain unit information for the central, north, and east regions. The file cabinets on the rear and right walls contain historical records. All adult and youth applications are kept on file for three years. Troop numbers are between 1 and 9999. The troop number does not necessarily reflect the charter date.

The applications have been under lock and key for the past four years since social security account numbers were included on the applications. The master key opened the records. [redacted] have master keys. The locks were changed on December 21, 2004; [redacted] are the only people to have the new keys.

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In 2003 and 2004 records for the north and east regions were moved into this location after the merger of the area councils. [redacted] the [redacted] who input registration information. [redacted] has worked for GAC for [redacted] reviews the applications, calls schools, and verifies information.

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[redacted] with incoming applications. The money is collected at the scout shop before the application comes to [redacted]. The applications can also come from the district executives (DE). The district executives submit a form with the applications, Request For Assistance to Individuals if requesting that the registration fees for the applicants be paid by GAC. [redacted] and the DE's decide who is underprivileged. She does not know what the criteria is to be underprivileged. The form has the name of the contact person

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Investigation on 12/22/2004 at Birmingham, Alabama

File # 46B-BH-51721 -10

Date dictated 12/28/2004

by SA [redacted]

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Continuation of FD-302 of [REDACTED], On 12/22/2004, Page 2

and the amount of assistance needed to pay the registration fees for underprivileged kids. [REDACTED] assumes the assistance money comes from grants. Bookkeeping tracks the cash flow. [REDACTED] the assistance application.

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When a charter is renewed [REDACTED] prints out a roster that goes in a packet to the DE. The packet is provided to the unit leader by the DE; it is either picked up by the unit leader or mailed to them. The first year that a youth joins is the only year an application is completed.

[REDACTED] showed the agents a roster for [REDACTED] Oneonta, Alabama located in [REDACTED]. The roster had been submitted as a charter renewal by DE [REDACTED]. Birth years were crossed through and changed for numerous youths making them younger. When this was pointed out to [REDACTED] by the interviewing agents, [REDACTED] said that the years must have been changed because they were wrong.

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[REDACTED] started calling units with assistance and new units about nine months ago per [REDACTED] instruction. She has never called a school that indicated that it didn't know of a troop's existence. She calls the executive officer to see if everything is going well and to ask if there is anything GAC can do for them.

At this point in the interview the interviewing agents and [REDACTED] left the record storage area and proceeded to her office to continue the interview. [REDACTED] was reminded that the interview was voluntary and that she did not have to answer any questions and could terminate the interview at any time. [REDACTED] wished to continue the interview.

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[REDACTED] thinks any suspicion of wrong doing would be with the in-school programs. These programs receive the majority of the assistance money. GAC can not get the leadership and tries to get someone inside to lead the programs. Sometimes PE classes include scouting. She does not believe anything is turned in just to make goals.

If applications are not signed they are returned to the DE with a defective sheet. [REDACTED] does not reject any applications as long as there is a signature. She is not aware of any program aides signing the applications. She said that she makes sure that it is an adult signature. If a parents name

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Continuation of FD-302 of , On 12/22/2004, Page 3

is on the application she verifies that it is the same name as the signature. Otherwise there is no way for her to verify if the signature is that of a parent. The parent information on the application is not a requirement. Data entry people also scan for errors.

The registration money goes to the national office. The months of September, October, and November are the bulk of the work due to a membership drive at that time of year. The September rush may take up to a week to enter the registrations. She does not see a lot of applications coming in at the end of the other months.

has not noticed anyone acting differently lately or staying late. The normal work hours are 8:15 a.m. to 5:00 p.m.

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provided a copy of a blank defective registration notice, which has been placed in the files of the FBI; a copy is also attached.

DEFECTIVE REGISTRATION NOTICE

(PLEASE RETURN NOTICE AND INFO TO FIELD DIRECTOR AS SOON AS POSSIBLE)

UNIT _____
DISTRICT _____
DATE _____

THE ATTACHED REGISTRATION CANNOT BE COMPLETED BECAUSE:

MEMBER -

____ BIRTHDATE
____ ADDRESS
____ UNIT LEADER SIGNATURE
____ PARENT OR GUARDIAN SIGNATURE
____ TIGER CUB PARTNER NEEDS DATE OF BIRTH
____ TIGER CUB PARTNER NEEDED
____ NEED APPLICATION FOR YOUTH ON OVERFLOW SHEET
____ PAYMENT DISCREPANCIES - NEED FEES FOR ____ BOYS/ADULTS
____ BOYS' LIFE

LEADER -

____ BIRTHDATE
____ ADDRESS
____ POSITION MISSING
____ ITEM SIX COMPLETED
____ SIGNATURE OF UNIT COMMITTEE CHAIRMAN
____ SIGNATURE OF CHARTERED ORGANIZATION HEAD
____ SIGNATURE OF SCOUT EXECUTIVE OR DESIGNEE
____ SIGNATURE OF APPLICANT
____ NEED APPLICATION FOR ADULTS ON OVERFLOW SHEET
____ NEED SOCIAL SECURITY NUMBER ON ADULT(S)
____ PAYMENT DISCREPANCIES - NEED FEES FOR ____ BOYS/ADULTS
____ BOYS' LIFE

CHARTER APPLICATION

____ EXECUTIVE OFFICER CERTIFICATION SIGNATURE
____ COUNCIL REPRESENTATIVE CERTIFICATION SIGNATURE
____ UNIT LEADER CERTIFICATION SIGNATURE
____ PAYMENT DISCREPANCIES - NEED FEES FOR ____ BOYS/ADULTS
____ BOYS' LIFE
____ OVERFLOW SHEET NEEDS APPLICATIONS
____ THE ANNUAL CHARTER AGREEMENT SIGNED

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/28/2004

[redacted] was interviewed at her place of employment, GREATER ALABAMA COUNCIL OF THE BOY SCOUTS OF AMERICA (GAC), 516 Liberty Parkway, Birmingham, Alabama. After being advised of the identities of the interviewing agents and the nature of the interview [redacted] provided the following information:

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[redacted] previously worked in the [redacted] She has been with GAC for [redacted] straight from the applications. When it is time for a unit to re-charter she prints out the roster for the charter renewal, which goes into a kit. Different people make changes to the roster by hand. Sometimes she helps people correct the list.

GAC employees have "number of youth goals" that they are supposed to reach. GAC has a partnership with Housing and Urban Development to sign-up kids in housing units. [redacted] [redacted] for the inner city school units. GAC representatives go into the schools and teach knot tying and other skills, some kids earn merit badges. These in-school units are nontraditional scouting units.

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[redacted] asked her about the nontraditional programs. [redacted] said that [redacted] talks down to her. [redacted] was friends with [redacted] before the councils merged, [redacted] The [redacted] and [redacted] clashed over the discussed sale of the area camps.

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[redacted] advised that youth birth dates on rosters are not supposed to be changed. She has seen dates changed and found that odd. She said that people do not make five mistakes in a row, referring to a roster she had seen. No one is perfect, and she may make a mistake sometimes, but not five in a row. When asked by the interviewing agents why the DE does not cross out a name and a date of birth to add that of a different child being served, [redacted] advised that doing so would require a new application; she offered laziness as a possible reason for the crossed out birth years. She believes that instead of obtaining five new applications for students in a special education class that a DE would just change the birth dates of five students who are too old to be scouts.

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b7CInvestigation on 12/22/2004 at Birmingham, AlabamaFile # 46B-BH-51721-11 Date dictated 12/28/2004by SA [redacted]
SA [redacted]b6
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Continuation of FD-302 of [REDACTED], On 12/22/2004, Page 2

Two to three years ago, while at the [REDACTED] she showed a roster where five students in a row's birth years had been changed to make them younger to [REDACTED]

[REDACTED] told her the changes were on the up and up and to do it. [REDACTED] accepted [REDACTED] explanation that the same number of children were still being served at that school. She advised that the DE's use names already in the system instead of getting new names. She guessed this was done because of the privacy act.

[REDACTED] advised that there is a unit in Gadsden at the substance abuse treatment facility, The Bridge. The last names of all members of that troop were listed as Doe. On December 21, 2004 the Southern Regional Office of the Boy Scouts had her change the last names of the members of that unit to [REDACTED] etc. To the best of her knowledge the members of this unit are real people. Their true names cannot be used because their anonymity needs to be maintained due to their substance abuse treatment.

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[REDACTED] gave several reasons for the birth years of students to be changed to make them younger. In the housing projects people move in and out often. The DE's can not change the names of the members of these units without a new application. Some DE's take shortcuts or might not have been able to get a new name from a teacher.

She started [REDACTED] She remembered a time when the name of a father and a son were switched on a roster. She has been in the Birmingham office for [REDACTED] Since she has been at the Birmingham office all signatures have been required on the applications. She does not know who signs the applications. She tries to make sure the name of the unit representative matches the name of the person on the charter.

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She makes changes in the computer database from the marked-up rosters. The changes are given to the DE's by the volunteers. She can not delete people. She updates addresses. Volunteers have told her that adults and youths on rosters do not exist or participate.

The yearly membership fee is \$10. The money goes through the scout shop. There is a custodial account, [REDACTED] where money is held in trust to pay registrations. There is also an assistance account, expense code [REDACTED] which she believes

46B-BH-51721

Continuation of FD-302 of _____, On 12/22/2004, Page 3

comes from grants and contributions. For example, the registration fees for the five students whose birth years were changed would come from this account. _____ has information on the grants and the assistance account.

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_____ assumes that the DE and the district committee decide who needs assistance. The council used to have fundraisers such as bike-a-thons to raise money for the needy.

DE's and DD's are put on probation if registration numbers are not met. She has never seen anyone fired over this issue.

She has heard of people other than parents signing youth registration applications as the parent or guardian. Teachers have signed the applications as the parent or guardian, but she believes that has stopped. The past few months applications have been returned to the teachers for signatures.

A previous registrar was, _____ who _____ believes now works at _____ quit because _____ was going to _____ when she moved from the Anniston office to the Birmingham office.

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At the _____ was not as strict on signatures. There were some functions that were done better at the Anniston office, but for the most part, the GAC handles most functions more efficiently.

The mail log records incoming checks received; it is like a check transaction list. Drawer 1 is for Friends of Scouting (FOS), and Drawer 2 is for registration and events. _____ the books for FOS, _____ the books for everything else.

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_____ attempted to provide an electronic version of the unit's financial accounts. Due to GAC being closed from December 23 through December 29, 2004, she will provide it to the interviewing agents on Thursday, December 30, 2004.

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 12/21/2004

To: Birmingham

From: Birmingham

Squad 4

Contact: SA [redacted] ext [redacted]

Approved By: [redacted]

Drafted By: [redacted] *jat*

Case ID #: 46B-BH-51721-12 (Pending)

Title: [redacted]

BOY SCOUTS OF AMERICA -
GREATER ALABAMA COUNCIL,
516 LIBERTY PARKWAY,
BIRMINGHAM, ALABAMA

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Synopsis: To set CART leads in captioned investigation.

Details: Reference EC dated 12/13/2004, which is opening communication for captioned investigation.

An individual stated that [redacted] had instructed employees and volunteers to overstate the number of scouts enrolled. The inflated numbers are used to increase the amount of funds received from government grants, the United Way, and corporate donors. Scouting units are listed at some schools in the area, which are unaware of Boy Scout activity at the school.

It is also alleged that large sums of cash are not being reported by [redacted]. Money from fundraisers is being used to pay the memberships of the ghost units. A similar case has been investigated by the Postal Inspector in Dallas, and the AUSA was [redacted]. [redacted] advised that if [redacted] is involved then she would highly suspect fraud to be involved.

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On 12/21/04 [redacted] advised that the board wishes to cooperate in the investigation and has agreed to allow imaging of the computer system at the Greater Alabama Council of the Boy Scouts of America. Case agent requests CART assistance to obtain computer records.

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*Assign to
Wade &
SAs 12/22/04*

*Assign
ONE LEAD TO
& OTHER TO
JMM*

46B-BH-51721-12

To: Birmingham From: Birmingham
Re: 46B-BH-51721, 12/21/2004

LEAD(s) :

Set Lead 1: (Action)

BIRMINGHAM

AT BIRMINGHAM, ALABAMA

Assistance of CART examiners to obtain computer records and for forensic examination of materials obtained is requested. This assistance includes imaging the Greater Alabama Council of the Boy Scouts of America server and numerous personal computers, making copies of all seized media, and retrieving deleted files and active files.

♦♦

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/03/2005

[redacted] date of birth [redacted] social security account number [redacted] home address [redacted] [redacted] home telephone number [redacted] was interviewed at her place of employment, the GREATER ALABAMA COUNCIL (GAC) of the BOY SCOUTS OF AMERICA (BSA), 516 Liberty Parkway, Birmingham, Alabama. After being advised of the identities of the interviewing agents and the nature of the interview, [redacted] provided the following information:

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[redacted] at GAC. She handles GAC's [redacted] She [redacted] She receives a monthly spreadsheet from [redacted] containing the number of new adults and kids who have registered with BSA. [redacted] with the [redacted] withdraws from BSA national office. She advised that [redacted] would have more information on the origin of the information on the spreadsheet.

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[redacted] on the reports that go to the UNITED WAY (UW). GAC receives funding from fourteen UW's in Alabama. The reports vary by agency. [redacted] on the reports to UW including membership numbers and program information. There is a place on the report to request funds. [redacted] decides how much to request. The funds granted by UW are generally less than those requested.

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Accounting procedures are regulated by BSA national office, as is virtually everything according to [redacted] She uses a book published by BSA, "National Councils General Ledgers User's Guide." Usage codes are on page 100 of this book. Reports that are generated are a balance sheet, a statement of operations, which is similar to an income statement, a budget, financial projections, reconciled bank statements, and gifts of stock.

Scoutnet, which is the network operating system for the BSA, only retains information back to 2001. Prior years are supposed to be put on disk. She has a couple of those previous years in her possession, but older years are in the possession of [redacted] The general ledger for 2001 would be 400 pages if printed; all posting details including debits and credits are on

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Investigation on 12/30/2004 at Birmingham, Alabama

File # 46B-BH-51721-13 Date dictated 01/03/2005

by SA [redacted]
SA [redacted]

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46B-BH-51721

Continuation of FD-302 of [REDACTED], On 12/30/2004, Page 2

the ledger. [REDACTED] on the Scoutnet system.

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[REDACTED] than she does for the UW. Grant applications are prepared by various scouting professionals in the region where the grant is being requested. [REDACTED] gave the example that a professional over the Huntsville area would prepare the application for a grant in the Huntsville area. A different cost center is set-up for each grant to track the money in and out.

Occasionally GAC may get a small amount of money from politicians. A cost center is not set-up for this money, for example \$500; it goes into the general fund. The grants they receive change from year to year. A state grant for Hispanic scouts was not renewed. Other grants come from Jefferson County and the city of Birmingham through the board of education.

A 2003-2004 federal grant for \$12,000 through the Housing Authority of Birmingham was not renewed. This grant ended in May 2004. She believes that [REDACTED] applied for that grant. GAC receives a grant from the Hugh Call non-profit foundation for \$100,000 a year for five years. This money goes into the capital fund. GAC completes an application for all grants. Anyone applying for a grant would get their financial information from [REDACTED]

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On the general ledger the accounts where the first set of numbers is 5001 to 5501 are grants. The middle set of numbers are cost centers. The last two digits of the account numbers are the usage codes. The general ledger for 2004 will be finished around January 15, 2005; it will be audited in late March or early April and may have changes through that time.

[REDACTED] was hired in [REDACTED] Since that time she has kept [REDACTED] Before that time whoever applied for the grant kept the records. Grants usually do not have a specific use unless it is for something like Hispanic scouting. She gets a purchase order from the grant provider guaranteeing funding.

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The interviewing agents requested copies of the 2004 UW pledges from the different agencies and all paperwork in her possession relating to UW agencies and grants, which will be furnished through attorney [REDACTED]

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 01/10/2005

To: Birmingham

From: Birmingham

Squad 4

Contact: SA [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED]

: jat

Case ID #: 46B-BH-51721

(Pending)

Title: [REDACTED]

BOY SCOUTS OF AMERICA -
GREATER ALABAMA COUNCIL,
516 LIBERTY PARKWAY,
BIRMINGHAM, ALABAMA

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Synopsis: To set a lead in captioned investigation.

Details: During the previous two years, [REDACTED] allegedly instructed employees and volunteers of the Boy Scouts of America - Greater Alabama Council, consisting of 22 counties within Alabama, to overstate the number of scouts enrolled. The non-existent scouts are referred to as "ghost units." The inflated numbers are used to increase the amount of funds received from charities such as the United Way. Greater Alabama Council also receives some Federal grant money for use in recruiting intercity scouts. It is alleged that the money provided in the Federal grants is not being used for its intended purposes.

In some instances schools, which are located within the Greater Alabama Council's District, have been listed as hosting Boy Scout Troops. Some of these schools are allegedly unaware of any Boy Scout activity in the school.

Before conducting interview, lead agent is requested to contact SA [REDACTED]

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*Amigo
Lead to
RA 1/10/05*

*C/1
1/12/2005
HRA*

To: Birmingham From: Birmingham
Re: 46B-BH-51721, 01/10/2005

LEAD(s):

Set Lead 1: (Action)

BIRMINGHAM

AT FLORENCE, ALABAMA

Locate and interview [redacted] telephone number
[redacted] former Eagle Scout and [redacted]
[redacted] employee. [redacted] indicated that he has information
regarding the rechartering of Camp Florence.

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/07/2005

[redacted] date of birth [redacted] home address [redacted]
[redacted] home telephone number [redacted]
[redacted] work telephone number [redacted] was
interviewed at the Birmingham division of the Federal Bureau of
Investigation. [redacted] is a [redacted]
[redacted] After being advised of the identity of the
interviewing agent and the nature of the interview, [redacted] provided
the following information:

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[redacted] is a volunteer for the GREATER ALABAMA COUNCIL (GAC)
of the BOY SCOUTS OF AMERICA (BSA). [redacted]
[redacted] Birmingham, Alabama.
This troop's charter expires soon. There were only four boys left
in this troop, and this troop did not recruit more members. Three
of the boys have made eagle scout and the fourth boy moved to
another troop. This troop might renew the charter, but does not
plan to have any members or actively meet.

[redacted] received a charter in the mail for an
explorer post, which is the same as a venture crew, at a school in
Tarrant, Alabama. She was previously [redacted] GAC but
not at the time when she received this charter. She is not
currently [redacted] GAC.

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[redacted] received a charter and membership cards in the mail
for an explorer post that did not exist. The cards had the same
names on them as the boys in [redacted] believes the unit was
[redacted] but the first number could be different. There were
about ten boys registered as part of this post. There were a few
adults listed on the charter that were affiliated with [redacted] and
a few adults that [redacted] had never heard of. None of the boys or
adults listed on this charter paid anything to be members of an
explorer post. [redacted] showed this charter to his fellow adult leaders
and no one knew anything about this post. [redacted] also told [redacted]
[redacted] about the charter.

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[redacted] received a letter in the mail asking how many boys in
[redacted] were going to need financial assistance again for the
upcoming year. [redacted] advised that none of the boys in this troop
ever needed scholarships or assistance. The boys in this troop
were from "over the mountain" in the Vulcan district. [redacted] took

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b7CInvestigation on 01/03/2005 at Birmingham, AlabamaFile # 46B-BH-51721 - 15Date dictated 01/07/2005by SA [redacted] *pk*b6
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46B-BH-51721

Continuation of FD-302 of _____, On 01/03/2005, Page -2-

this letter to GAC and showed it to _____ said that the letter was not supposed to be sent out to the troops. _____ was present when he spoke to _____. A few days later, _____ second hand man, whose name _____ cannot remember, called him about the letter. He said that the reason the letter was sent to _____ was because the supervisor for the district executives (DE) was overzealous, and that it wouldn't happen again.

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_____ believes _____ knows that charters are being created for units that don't exist. The DE's supervisor encourages the inflated number of units and members. DE's performance is graded by the chartering of new units and maintaining and growing existing units. _____ believes that a DE might pay to charter a unit that doesn't exist in order to receive a bonus or pay raise.

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_____ is not sure as to whether a new fee is required to enroll a boy who is already in a troop into a second unit, such as a venture crew. He knew that at one time an adult leader for a troop could be an adult leader for a second troop without paying an additional fee.

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_____ advised that if the boys in a troop are not advancing then the troop probably does not exist. An advancement sheet is completed by the troop.

Seven years ago _____ tried to obtain a mailing list for the troops in the northeast district but was met with resistance by the council. He finally saw the list and had never heard of at least a third of the troops. The scout masters for these troops were all listed as Michael Jackson. _____ was the DE for this area.

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_____ because of the stress placed on him to increase membership. _____



FBI subpoenas Boy Scout records from United Way

Thursday, January 13, 2005

JEFF HANSEN and KELLI HEWETT TAYLOR
News staff writers

The FBI this week subpoenaed Boy Scout records from the United Way of Central Alabama.

Samuetta Nesbitt, senior vice president for communications at United Way, said the FBI asked for copies of funding applications made by the Greater Alabama Council of the Boy Scouts since 1999.

Some Boy Scout board members have recently accused the Scout organization of padding its membership rolls.

Nesbitt said a United Way allocation team that met with the Boy Scouts on Oct. 19 did not raise any questions about membership numbers. "We, in effect, accept what the agencies tell us to be true, especially one going back to 1923."

In its application for 2005 funding of \$975,044, the Greater Alabama Council of the Boy Scouts said it had served 119,449 unduplicated clients in 2003.

The United Way form asks agencies to break down their clients by age and sex. In its breakdown, the Scout document said the Boy Scouts served 33,458 males, ages 6 to 18, in Jefferson, Shelby, St. Clair and Blount counties in 2003.

Roughly half of these were in the traditional Scouting program, which includes Cub Scouts, Boy Scouts, and the co-ed Venture Crews for people ages 14-21. About one-third were in a Boy Scout program called Learning for Life, which includes school-centered character education and worksite-based Exploring. The remaining one-sixth were in a third Boy Scout program, an outreach to Hispanic youths.

The Scout council said it served:

7,506 boys ages 6-18 in Shelby County out of an estimated 15,320 boys that age.

23,387 boys 6-18 in Jefferson County out of an estimated 61,541.

1,638 boys 6-18 in Blount County out of an estimated 5,106.

927 boys 6-18 in St. Clair County out of an estimated 6,785 boys that age.

Tom Willis, a Boy Scout board member and former Eagle Scout who has called for an investigation into possible padding of Boy Scouts membership rolls, said that the Greater Alabama Council has refused to provide a breakdown of how many boys are in Cub Scouts or Boy Scouts in his district, which covers Morgan, Limestone and Lawrence counties.

46B-BH-51721-16

<http://www.al.com/printer/printer.ssf?/base/news/110562599666591.xml>

JAN 13 2005

FBI - BHM 1/13/2005

The council is not responding to questions, but it has begun an internal audit of its membership numbers. Keith Williams, the endowment and marketing director for the council, said that all questions about the council will be handled by Randy Haines, its incoming board chairman. Haines declined to answer specific questions from The Birmingham News this week.

Nesbitt said that United Way has not started an internal review of the Greater Alabama Council.

According to the Boy Scout document, the 119,449 people that the council said it served include participants in programs in 22 Alabama counties. The breakdown:

57,247 boys aged 6-18.

10,751 girls aged 6-18.

34,553 men aged 19-59.

16,533 women aged 19-59.

229 men who were 60 or older.

136 women 60 or older.

E-mail: jhansen@bhamnews.com

ktaylor@bhamnews.com

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/12/2005

[redacted] telephone number [redacted]
[redacted] was interviewed on the telephone. After being advised of the identity of the interviewing agent and the nature of the interview [redacted] provided the following information:

[redacted] lived in Birmingham, Alabama until the end of [redacted] She [redacted] for the GIRL SCOUTS (GS) and the UNITED WAY (UW). She is [redacted]
[redacted] telephone number [redacted] worked for the GS in Birmingham, Alabama. [redacted] now works at the central GS office in New York City, New York.

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The GS devoted a lot of resources to the housing projects in Birmingham. The GS had a unit in each housing project as a safe place for girls to go and to meet. The GS also devoted resources to provide scouting to Mexican girls in the area.

The UW in Birmingham gives twice as much money to the BOY SCOUTS (BS) as it does to the GS. Most the UW's around the country give an equal amount of funding to BS and GS. [redacted] an affiliate of the GS, tried to even up the money received by the GS and the BS from UW.

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A study was done by UW in 1999 or 2000 regarding the funding that goes to BS and GS. She believes the central GS office has a copy of the GS portion of this study. The study looked at the number of kids each organization serves and the funding received from UW. The study concluded that a fair amount of money was given to each organization.

[redacted] referred to [redacted] of UW, as a wonderful guy. Under [redacted] term, the GS received more funding. Following [redacted] term the increase in funding was dropped. Most UW board members are former BS. [redacted] advised the UW that the BS were cooking the books, meaning they did not have as many members as they portrayed to the UW.

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She believes the UW just looks the other way because they know the BS numbers are false. The GS considered filing a class action suit against the UW. [redacted] believes the UW staff is just

Investigation on 01/07/2005 at Birmingham, Alabama (telephonically)

File # 46B-BH-51721-17 Date dictated 01/12/2005

by SA [redacted]

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46B-BH-51721

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Continuation of FD-302 of , On 01/07/2005, Page 2

as responsible for the funding decisions based on fake numbers as the BS are for providing the fake numbers.

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/12/2005

[redacted] date of birth [redacted] home address [redacted] work telephone [redacted] cell telephone [redacted] home telephone [redacted] was interviewed at the Birmingham, Alabama office of the Federal Bureau of Investigation. After being advised of the identity of the interviewing agent and the nature of the interview, [redacted] provided the following information:

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[redacted] worked for the GREATER ALABAMA COUNCIL (GAC) of the BOY SCOUTS OF AMERICA (BSA) for [redacted] years following his completion of college. He worked at GAC from [redacted] to [redacted] was [redacted]

[redacted] explained that it was the common practice for DE's in the low income areas of Birmingham to get the names of students at local schools from the teachers. [redacted] for these kids in her desk drawer until they were needed to meet the goals for number of kids registered. [redacted] gave the example that if the council was short five kids for a month then [redacted] drawer and process their membership. The director of field services controlled the rate at which the kids were added. He believes that [redacted] in the fall than at the beginning of the year because of school nights in the fall and an end of the year goal.

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GAC, including the council scout executive, would "sell" the school superintendents a scouting program, which meant GAC would promise to deliver a program to the school that GAC knew would not occur. The superintendents would then convince the principals to allow GAC into the schools to sign the kids up. [redacted] advised that in many cases absolutely no scouting program ever reached the kids who had been registered as scouts by GAC.

[redacted] while employed at GAC. His last [redacted] who was [redacted] at the time. [redacted] was [redacted] for about the first four years of [redacted] employment. [redacted] replacement was [redacted] moved up to be the

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b7CInvestigation on 01/06/2005 at Birmingham, AlabamaFile # 46B-BH-51721 -18 Date dictated 01/12/2005by SA [redacted] *gk*b6
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46B-BH-51721

Continuation of FD-302 of [redacted], On 01/06/2005, Page 2

[redacted] at BSA headquarters in Texas. [redacted] and [redacted]

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[redacted] advised that the UNITED WAY based their contributions to GAC on the number of members. He was told that the director of field services and the council scout executive received bonuses based on the number of kids registered as scouts. The director of field services and the council scout executive set the membership goals for the DE's.

[redacted] referred to the troops at the schools that didn't really exist as paper troops. He believes that it was easier for GAC to create these paper troops in low income areas because there were very few volunteers. On these charters principals and teachers were listed as adult leaders. He believes the registrations were probably turned in with the signature of whoever was listed as the scout master and no signature in the space for parent or guardian.

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[redacted] indicated that a way to identify paper troops was to look at the registration fees paid. A real troop payed the full fee at the re-charter. The fees payed by paper troops were generally prorated because kids were added at various times of the year and the council saved money by not paying the fee in full. The council payed the registration fees for the kids in the paper troops from donations and United Way money. He was not aware of any grants GAC might have received.

There was an instance where [redacted] registrations for a paper troop from a school before driving to a camp in northern Alabama. [redacted] back to Birmingham late at night to deliver the registrations because GAC needed the names in order to meet a goal. He believes copies of the applications had to be mailed to BSA headquarters in Dallas, Texas before a certain date in order to be counted to reach a goal.

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Because of contacts and friends that [redacted] has in scouting around the country, he believes that all districts are not padding their numbers. A former GAC employee, who still works for BSA, advised [redacted] that North Carolina scouts do not generate paper troops like GAC.

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[redacted] advised that [redacted] moved from GAC to the Montgomery, Alabama council. [redacted] padded the numbers in Montgomery just like he did at GAC. The board of directors in

46B-BH-51721

Continuation of FD-302 of _____, On 01/06/2005, Page 3

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Montgomery did not approve of _____ methods, which created a problem for _____ out by moving him from Montgomery and keeping him employed by BSA.

_____ is aware that _____ is _____ at GAC. _____ believes that the padding of numbers and creation of paper troops has picked back up here in Birmingham because _____ moved backed to the area. _____ current employer is near the GAC office and uses GAC facilities for meetings. A few months ago _____ spoke to _____ _____ was preparing for school night. _____ told _____ that it was the same deal as before. _____ believes that since the northern counties of Alabama were merged with Birmingham that paper troops are being created in these new counties.

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_____ did not agree with GAC promising a program to the kids in these low incomes areas knowing that they would never deliver a program. He voiced his opinions and was let go.

AO 110 (Rev. 12/89) Subpoena to Testify Before Grand Jury

United States District Court

NORTHERN

DISTRICT OF

ALABAMA

TO:

SUBPOENA TO TESTIFY
BEFORE GRAND JURY

b3

SUBPOENA FOR:

☒ PERSON☒ DOCUMENT(S) OR OBJECT(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

PLACE

United States Courthouse
Hugo Black Building
1729 Fifth Avenue North
Birmingham, Alabama 35203

COURTROOM

307A

DATE AND TIME

January 31, 2005
10:00 a.m.

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):*

See Attachment.

In lieu of appearance, records may be provided to Special Agent Julia Taylor, Federal Bureau of Investigation, 2121 Eighth Avenue North, Room 1400, Birmingham, AL 35203, telephone 325-4648, *prior to the date shown above.*

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK

PERRY D. MATHIS

(BY) DEPUTY CLERK

This subpoena is issued on application
of the United States of America

Alice H. Martin
United States Attorney



DATE

1/7/05

2004R00987

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

J. PATTON MEADOWS
1801 Fourth Avenue North
Birmingham, AL 35203

JAN 13 2005

(205) 244-2001

FBI - BIRMINGHAM

*If not applicable, enter "none"

46B-BH-51721-19

RETURN OF SERVICE⁽¹⁾

| | | |
|--------------------|--------------|----------------------|
| RECEIVED BY SERVER | DATE 1/11/05 | PLACE Birmingham, AL |
| SERVED | DATE 1/11/05 | PLACE Birmingham, AL |

SERVED ON (PRINT NAME)

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|---------------|--------------------|
| SA [redacted] | Special Agent, FBI |
|---------------|--------------------|

STATEMENT OF SERVICE FEES

| | | |
|--------|----------|-------|
| TRAVEL | SERVICES | TOTAL |
| | | |

DECLARATION OF SERVER⁽²⁾b6
b7C

I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service and

Executed on 1/11/05
Date

Signature

FBI Birmingham, AL
Address of Server

ADDITIONAL INFORMATION

(1) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

(2) "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure; Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 USC 1825, Rule 17(b) Federal Rules of Criminal Procedure)".

AO 110 (Rev. 12/89) Subpoena to Testify Before Grand Jury

United States District Court

NORTHERN

DISTRICT OF

ALABAMA

TO:

SUBPOENA TO TESTIFY
BEFORE GRAND JURY

b3

SUBPOENA FOR:

☒ PERSON☒ DOCUMENT(S) OR OBJECT(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

PLACE

United States Courthouse
Hugo Black Building
1729 Fifth Avenue North
Birmingham, Alabama 35203

COURTROOM

307A

DATE AND TIME

January 31, 2005
10:00 a.m.

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In lieu of appearance, records may be provided to Special Agent Julia Taylor, Federal Bureau of Investigation, 2121 Eighth Avenue North, Room 1400, Birmingham, AL 35203, telephone 325-4648, **prior to the date shown above.**

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK

PERRY D. MATHIS

(BY) DEPUTY CLERK

This subpoena is issued on application
of the United States of America

Alice H. Martin
United States Attorney



DATE

1/7/05

2004R00987

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

J. PATTON MEADOWS
1801 Fourth Avenue North
Birmingham, AL 35203 (205) 244-2001

*If not applicable, enter "none"

46B-BH-5721-20

| RETURN OF SERVICE ⁽¹⁾ | | | |
|--|-----------------|---|--|
| RECEIVED BY SERVER | DATE 1/3/05 | PLACE Birmingham, AL | |
| SERVED | DATE 1/11/05 | PLACE Birmingham, AL | |
| SERVED ON (PRINT NAME) <div style="border: 1px solid black; height: 40px; width: 100%;"></div> | | | |
| SERVED BY (PRINT NAME) SA <div style="border: 1px solid black; height: 40px; width: 100%;"></div> | | TITLE Special Agent, FBI | |
| TRAVEL | | OF SERVICE FEES | |
| SERVICES | | TOTAL | |
| DECLARATION OF SERVER ⁽²⁾ | | | |
| I declare under penalty of perjury under the laws of the United States of America that the information contained in the Return of Service is true and correct. | | | |
| Executed on 1/11/2005 Date | | <div style="border: 1px solid black; height: 60px; width: 100%;"></div> UFB1 Birmingham, AL Address of Server | |
| ADDITIONAL INFORMATION | | | |

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(1) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

(2) "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure; Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 USC 1825, Rule 17(b) Federal Rules of Criminal Procedure)".

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/03/2005

An individual in a position to testify provided the following information:

The individual [redacted] a GREATER ALABAMA COUNCIL (GAC) of the BOY SCOUTS OF AMERICA (BSA) day activity for the Learning for Life (LFL) program [redacted] In the weeks leading up to the activity the event disintegrated. [redacted] told individual that this type of activity [redacted]

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[redacted] a roster of units in [redacted] Alabama, which the individual had never heard of even though individual [redacted] because of [redacted] advised that the units were for LFL. [redacted] advised individual that the LFL units [redacted]

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Individual [redacted] at GAC. [redacted] individual to [redacted] to units that the individual knew did not exist. Individual wanted these troops [redacted] Individual [redacted] [redacted] listed as unit commissioner, who would not be properly trained.

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Individual advised that [redacted] reported to the BSA regional office that [redacted] created fake units to increase numbers. [redacted] and left overnight. [redacted] transferred to GAC from Texas.

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FIG

46B-BH-51721-21

Investigation on 12/14/2004 at Birmingham, Alabama (telephonically)

File # 46B-BH-51721-21

Date dictated 01/03/2005

by SA [redacted]

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/11/2004

An individual who is in a position to testify provided the following information:

Individual [redacted] ^{notational} the GREATER ALABAMA COUNCIL (GAC) of the BOY SCOUTS OF AMERICA (BSA) in the recent past. [redacted] is [redacted]. This individual indicated to members of GAC, [redacted]

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In 2003 the registration records for Camp Winnataska's cub haunted weekend were kept by [redacted] home telephone number [redacted] kept very exact registration records because units and families wanted to stay together. 1,678 people registered for the camp; a registration must be accompanied by payment. In a report [redacted] the GAC reported a total of 2,084 people attended cub haunted weekend at all three camps, Winnataska, Comer, and Sequoyah. This individual believes camp Comer and Sequoyah had similar registration numbers to that of Winnataska, making the registration numbers reported by GAC an underestimate of the actual number.

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Learning for Life (LFL) units are composed of special needs youth. A day activity for LFL, which was supposed to take place, never occurred. [redacted] said the event just fell through. As of October 28, 2003 there were 596 youths registered for LFL [redacted]. A school employee, [redacted] had been approached by teachers who wanted to get a scouting programs started. The teachers did not know anything about LFL even though GAC registrations the individual had seen indicated a unit at the school. Individual knows that every school in Blount County has a charter with school children registered.

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[redacted] the LFL units; he said it was an in-school unit. This individual [redacted] is listed on GAC charters. [redacted] never heard of LFL. [redacted] this individual had [redacted]

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It was clear to

Investigation on 12/01/2004 at Birmingham, AlabamaFile # 46B-BH-51721-22Date dictated 12/11/2004by SA [redacted]
SA [redacted]

JAN 11 2005

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Continuation of FD-302 of _____, On 12/01/2004, Page 2

this individual that LFL did not exist even though registration numbers keep increasing from month to month.

This individual received _____
_____ attempted to contact the units but in many cases there was in actuality no troop.

December is the time when units re-charter. _____

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As directed by BSA policy, unit commissioners are supposed to be over units in a given district. This individual was told _____ units that obviously did not exist. He said that there were people around the school _____. This individual pointed out that _____ He knew the units did not exist. He was uncomfortable with the _____

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The prior _____ for this individual's district was _____

Individual _____ meeting in _____ There was discussion about the number of units bringing in leaders for round table discussions to share ideas from fifty-eight units. The question was posed how a round table discussion could be managed for the attendance from that great a number of units. There was heated discussion, and it was admitted that there were not actually that many units. _____ were in attendance at that meeting.

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/12/2004

An individual in a position to testify provided the following information:

The BOY SCOUTS OF AMERICA (BSA) is broken down into three levels, national, regional, and local. Each level consists of paid employees and volunteers. The GREATER ALABAMA COUNCIL (GAC) is part of the southeast region. Paid professionals exist to support the volunteers by providing things such as camps, insurance, and special training. Paid professionals also conduct fundraisers through Friends of Scouting (FOS) such as popcorn sales. At a local level groups of volunteers are supported by a charter organization, such as a school or church, and are chartered through GAC.

no additional data

Units are sponsored by a charter organization. Units consist of troops, packs, venture crews, varsity teams, and learning for life (LFL) groups. Troops are made up of boys 11 to 18 years old. Packs are made up of boys 5 to 10 years old. Venture crews are older boys and girls involved in extreme adventure. Varsity teams are often Latter Day Saints groups and are sports oriented. A youth pays \$10 to GAC, which is sent to BSA to join a unit; if a youth joins a second eligible unit, the youth pays an additional \$1 to be enrolled. GAC is signing the same youth up to multiple units and counting the youth multiple times instead of counting the youth as just dual enrolled.

*1/23/04
jat*

Individual believes that GAC is defrauding the United Way (UW) by providing inaccurate enrollment numbers. Individual is under the impression that the UW does an audit. UW now wants to know about specifics of the programs, but it is still numbers relate. [REDACTED] is the individual who reports to the UW.

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A district executive (DE) is a paid employee. DE performance evaluations are called critical achievements (CA). Their boss outlines what they need to do to meet their CA. Every DE is responsible for maintaining and increasing the number of units, adults, and youths, which are registered in their respective district. [REDACTED] tells DE's to either maintain and grow or be fired. For a youth to join a unit a registration form is filled out, which requires their parent's signature.

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46B-BH-51721-23

Investigation on 12/01/2004 at Birmingham, Alabama

File # 46B-BH-51721 - 23

Date dictated 12/12/2004

by SA [REDACTED]

FIG

JAN 11 2005

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Continuation of FD-302 of _____, On 12/01/2004, Page 2

During training for the professionals, they are told not to forge signatures of the parent. DE's are frustrated and "put into a corner." In order to make the numbers of units required for their districts, the DE's take youth's that have dropped out and carry them forward for the next year. Units have to reapply each year. Every DE is responsible for maintaining his numbers. In most cases, DE's are paid professionals who are trying to do a good job and are being put into a "bad spot." [redacted] is putting them in that position. Individual believes that the DE's send in a three-carbon form, one copy for the parent, one for the local units, and one to the council. Individual does not know what gets sent to national. Unit rosters are the documents that list all participants.

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Under each DE there is a layer of volunteer management. For each district the three key individuals are the DE and two volunteers, the district commissioner and the district chairman. The district commissioner is responsible for providing volunteer help and assistance.

[redacted] of cub haunted weekend at camp Winnataska in October of 2001 and 2002 along with [redacted] home telephone number [redacted] work telephone number [redacted]. The camp capacity was around 310 people, but some nights more than 600 people were at the camp. 90 to 100 volunteers worked at the camp. [redacted] home telephone number [redacted] handled the registration at the camp in 2002. The cost to attend the camp was \$15 and the actual expense incurred by GAC was about \$3 per person. The camp attendance reported in Pinnacle magazine following the 2002 camp was much smaller than the actual attendance. This individual [redacted] the difference in numbers. [redacted] GAC had to report the smaller number of people for insurance purposes; that a greater number of people than the camp capacity couldn't be reported for liability reasons. [redacted] refused to run the program after this; [redacted] telephone number [redacted] in 2003.

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[redacted] has information that demonstrates top people at GAC instructing DE's to commit fraud. When [redacted] made the complaint, [redacted] was his boss. According to [redacted] after this.

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Continuation of FD-302 of _____, On 12/01/2004, Page 3

_____ left shortly after this because he'd had enough of the organization. According to _____ a top person at GAC got in

_____ forged signatures on youth registration forms in order to maintain and increase the number of youths. _____ said that _____ can't touch him because of what he knows. _____ keeps using the term "cook the books" when referring to GAC.

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_____ told this individual that he wanted _____

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Individual estimated that GAC enrollment of scouts is inflated by 25 to 40%. Individual stated that there are thousands listed that do not exist. GAC is then using the inflated numbers to solicit funds from other agencies when the number is actually less.

_____ telephone number _____ was _____ for a Woodbadge course in the spring of 2004. _____ bought some items for the course such as food, t-shirts, and hats. _____ needed information _____ to close the financial records for the course. _____ was not forthcoming regarding costs. GAC books were \$6,000 to \$8,000 short of what _____ had for income. _____ has a copy of GAC's books. Also, without her knowledge, _____ was registered in 4 different units.

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At a consolidation meeting, attended by _____ the issue of more units under a DE than allowed by BSA policy was addressed. _____ admitted that there were 249 units in the Vulcan district according to GAC records but in reality there were only 35 units. The other attendees heard this and there were chuckles.

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_____ approves of the boosting of the number of registered youths by paid employees at GAC. GAC holds round-ups to recruit kids, but the parents never sign the registration forms. The money to pay for the registrations comes from line item fund 100. When a unit collapses the names remain on the roster and the yearly registration form is filled out by the DE.

Continuation of FD-302 of _____, On 12/01/2004, Page 4

_____ argued at a meeting that district boundaries were drawn along economic lines and racial lines. _____ said that there weren't any racial considerations. The Birmingham district has received several federal grants including one for \$100,000 in 2002. According to _____ a pack master said the grants paid for things like books and uniforms in the district. The district wanted to send three youths to Boy Scout Jamboree but _____ would only send one youth even though the district had the grant money. After being confronted by the scout master about having the grant money _____ allowed three boys to go.

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GAC deals in a lot of cash. This individual has heard that there's a safe at GAC. Two people have access to the room where it's located. There is a substantial amount of cash in the safe. _____

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_____ this individual that _____ runs GAC through intimidation. Individual is aware that _____ He was pulled over by a patrolman and had a confrontation with the police. The incident was in the Birmingham paper. Employees at GAC have been told by the DE's not to say anything. One female there was told to keep her mouth shut.

The executive board is having a meeting on December 4, 2004, where the sale of camps will be discussed. When _____ was in Dallas, Texas he was involved in the building a a super camp. _____ wants the GAC to build a similar camp, which would replace the current camps. _____ also worked for BSA in Dallas, Texas.

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The GAC uses the inflated number of youths registered in the solicitation of donations from corporations. GAC writes a false number of youths served in the letters sent to donors.

This individual _____

_____ has stated _____ to show a decline in membership. _____ salary and vacation time depends on the numbers of the GAC's enrollment.

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/13/2004

An individual in a position to testify provided the following information:

This individual believes [redacted] the GREATER ALABAMA COUNCIL (GAC), BOY SCOUTS OF AMERICA (BSA), lives near [redacted] is married with [redacted]. He moved here approximately [redacted] from the Dallas, Texas area. He is in his [redacted] His cell phone number [redacted] e-mail address [redacted]. He often works from home or is out in the field visiting units and setting up new units. Most GAC district directors and executives are only in the GAC office, 516 Liberty Parkway, Birmingham, Alabama, on Fridays. [redacted] believes telephone calls and e-mails from the GAC office are monitored.

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This individual believes [redacted] lives in [redacted]. [redacted] advised individual of a conversation between [redacted] and [redacted]. [redacted] a list of the COR's and for Form 990 that GAC filed for 2003.

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Board members said [redacted] that a list of COR's would be made available on December 6, 2004 to any COR or board member that wanted the list. [redacted] decided that [redacted] would obtain the list. As of this phone call the list was still not available from GAC.

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During the week of November 28, 2004 this individual printed off the nominating committee list from the GAC website. As of December 11, 2004 the list was removed from the website along with a search option for units.

Investigation on 12/11/2004 at Birmingham, Alabama

File #

46B-BH-51721-24

by SA

FIG

Date dictated

12/12/2004

JAN 20 2005

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(telephonically)



Couple's names put on phantom Scouting rolls

Tuesday, January 18, 2005

KELLI HEWETT TAYLOR and JEFF HANSEN
News staff writers

A former Jefferson County Boy Scout leader says his and his wife's names have shown up in two nonexistent Boy Scout groups in the last five years.

Longtime Scout volunteer Wayne Lee, now of Jasper, said he and his wife, Sandra, have each been mailed copies of "charters," which are official letters establishing new Scout groups. The letters named the Lees as the leaders of the groups. The Lees were not.

Each letter they received was for a coed Scouting group called a Venturing Crew, for 14- to 21-year-olds. The Lees have worked only with Cub Scouts and Boy Scouts.

"There needs to be accountability; the problem lies when you start lying," said Wayne Lee, a white-collar crime detective for the Birmingham Police Department.

In Birmingham, the FBI is investigating allegations that the Greater Alabama Council of the Boy Scouts of America, which includes Jefferson County, has padded membership rolls to boost grants and other financial contributions. United Way of Central Alabama has allocated about \$950,000 to the council for 2005.

About five years ago, Sandra Lee received a copy of her charter in the mail, confirming the establishment of a crew with her as a leader. She was named with a group at Tarrant High School - a place she has never visited, with children she had never heard of.

She did not pursue answers to her charter letter.

Then, about two years ago, Wayne Lee said he received a charter confirmation letter for a Venturing Crew at First Presbyterian Church in Birmingham, where his Boy Scout Troop 57 was based. The nonexistent Venturing crew included names of boys in his Scout troop and some of the adult volunteers of his Scout troop.

"We knew it was bogus the moment we saw it," Lee said of his crew charter letter.

Lee said he also received a confirmation letter of supposed financial support to Lee's Boy Scout Troop 57. Lee said he had received no such troop financial support, nor did his boys need it. Most were from more affluent families.

Lee wondered if a support check might have been written to his troop, or cashed by someone else.

"I went to see Ronnie Holmes," the Scout executive for the Greater Alabama Council, Lee said. "He said those (financial support) letters got sent out to all the units and it wasn't supposed to be."

46B-BH-51721-25

<http://www.al.com/printer/printer.ssf?/base/news/1106043366125312.xml>

JAN 19 2005
1/19/2005

Attempts by The Birmingham News to reach Holmes have been unsuccessful.

Wayne Lee said a few days after he talked to Holmes, an assistant called on behalf of Holmes.

"He said there had been some supervisor or executive who had given them some bad advice," Lee said. "He assured me nothing like that would ever happen again."

Greater Alabama Council officials declined to comment for this story.

The FBI last week subpoenaed Boy Scout records from the United Way of Central Alabama. FBI spokesman Jeff Fuqua said the investigation is a pending matter and the FBI will not comment on the case.

Alabama board members are conducting an internal audit, said 2005 board chairman Randy Haines, who is the Alabama commercial executive for Compass Bank. He declined to make additional comments for this report.

Mystery Scout groups have been reported for decades in similar investigations around the country in cities such as Chicago, Dallas and Atlanta.

Wayne Lee says the questions of "ghost troops" and other membership issues don't surprise him. He says for years it has been commonly known that district executives are under pressure to meet goals for new troops and members.

He is glad there is an investigation.

"This is going to be bad for Scouting on the public front, but good for Scouting in the long run - it's got to be fixed," Lee said.

E-mail: ktaylor@bhamnews.com jhansen@bhamnews.com

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Scouting for the truth

Monday, January 24, 2005

Picture the scene: FBI agents sitting around, swapping war stories about chasing terrorists, bank robbers, drug dealers. Then, someone mentions the great Boy Scout caper. But before the agent can finish the story, she's drowned out by laughter from her skeptical colleagues.

Boy Scouts?

Why is the FBI investigating the Boy Scouts when there are real criminals out there, putting our citizens and nation at risk?

But the Boy Scout investigation is for real, and it's no laughing matter. The Greater Alabama Council of the Boy Scouts of America has been accused of exaggerating its membership rolls to get more funding. If the allegations are true, the Boy Scouts organization is committing fraud and should be called to account for its actions.

Those who have been raising questions are not people with grudges against the Boy Scouts. They're people who have been deeply involved with scouting and say they love the organization.

Among them are people like Tom Willis, a Boy Scout board member, and longtime Scout volunteer Wayne Lee.

Lee, a white-collar crime detective for the Birmingham Police Department, has received mailings suggesting he is leading Scout groups he had nothing to do with. Likewise for his wife, Sandra Lee, who once received a mailing confirming the establishment of a new group she was leading at Tarrant High School, even though she'd never been to the school or met the children.

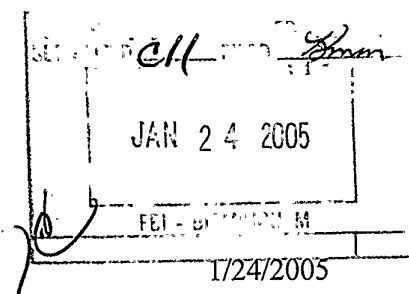
What would Scout leaders have to gain by inventing Scout groups and inflating membership numbers? Money, for starters. Higher membership counts make for bigger grants and donations. The United Way of Central Alabama alone has allocated about \$950,000 to the Greater Alabama Council of Boy Scouts this year. Those who have given money to the Boy Scouts are entitled to know whether they've been duped.

Of course, at this point, the presumption must be that Scout leaders are innocent of any wrongdoing. But the accusations are serious enough that they demand an investigation and, if they are borne out, a reckoning.

Even if it takes the FBI to make it happen.

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46B-BH-51721-26



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To print this article open the file menu and choose Print.

Article published Jan 22, 2005

Federal agents probe allegations of 'ghost units' in Scouts

By JAY REEVES
Associated Press Writer

Boy Scout volunteer Tom Willis knew something was wrong when he saw that 20 kids on the list for a scouting program all had the same last name: Doe.

Willis, a former Eagle Scout who serves on the organization's board for the northeast Alabama area, said it appeared someone was listing fake members to increase enrollment, which could boost funding from agencies, make paid Boy Scout recruiters look better, or both.

"It was just so blatant. They didn't even try to make up names," said Willis, a dentist from Decatur.

Amid suspicions that such practices are widespread in the Greater Alabama Boy Scout Council, federal prosecutors have subpoenaed records and agents are investigating whether bogus boys and "ghost units" fill the rosters of Boy Scout groups throughout northeast Alabama, where the council operates.

The FBI refused comment on any review, but the council - which claims it serves nearly 120,000 members and for 2002 reported revenues of \$6.5 million - this month confirmed it was under investigation. In a message posted on its Web site, council board chairman Randy Haines said Scout officials were cooperating with federal law enforcement and conducting an internal audit.

"Let me assure you that your executive committee considers these allegations to be very serious and is taking necessary and appropriate action," said the message from Haines, a banking executive.

An official at the Boy Scout's national office in Irving, Texas, said the organization has numerous policies meant to ensure that only real members and groups show up on rolls.

"The national council is dedicated to the accurate reporting of membership," said spokesman Greg Shields.

Yet longtime scout volunteer Larry Cox said he got used to seeing paperwork from council headquarters in Birmingham that listed the names of youngsters who had dropped out of scouting or never been part of a unit to begin with. At an area meeting of adult volunteers last year, he said, virtually every unit present reported names being added to their rolls.

The problem, Cox said, is with "a few people at the conference office," not volunteers who

466-BH-51721-27

are out leading activities such as camping trips, service projects and "Pinewood Derby" car races.

"They always said it was because our paperwork had problems, but we knew it wasn't," Cox said. "It seemed to be very broad."

The Greater Alabama Council has a strong reputation nationally: In 2002, it received a marketing award for a program that used fishing to bring in new members. The area office claimed 10,000 new Scouts that year, according to Scouting magazine, and tax forms show it had total revenues of \$6.5 million, including \$100,709 in government grants.

In a United Way funding application, the group said it served almost 120,000 youths and adults in 2003. Now, people like Cox and Willis wonder how many of those Scouts were real.

"I would say the numbers are probably inflated 30 to 40 percent in our council," said Willis.

Inflated membership numbers could lead to increased funding by groups including the United Way of Central Alabama, where spokeswoman Samuella Nesbitt said officials have turned over the Boy Scouts' grant applications, audits and tax forms from 1999 through last year in response to a federal subpoena.

The Scouts received millions of dollars from the United Way during the six years covered by the subpoena, and the Scouts are slated to get \$940,855 this year. The Boy Scout probe has shaken the United Way, which Nesbitt said lacks the resources to verify all the information submitted by every group that seeks funding.

The council received another \$919,000 from the United Way of Madison County since 1998, according to president Steve Kirkpatrick, who fears an investigation of the Boy Scouts could raise questions about charities in general.

"People figure, 'If the Boy Scouts are doing it, what about the others?'" said Kirkpatrick, who said the FBI hasn't contacted his agency.

Nationally, the Boy Scouts claim 1.2 million adult leaders and 3.2 million youth members in six different programs: Tiger Cubs, Cub Scouts, Webelos Scouts, Boy Scouts, Varsity Scouts and Venturers, the only one that allows young women.

But similar investigations have led to questions elsewhere about the true size of scouting. A membership inquiry in Texas led to a Scout group removing thousands of names from its membership rolls and a federal grand jury review that was revealed in 2003. No charges were filed.

In Atlanta, independent auditors are investigating claims the metro area's Boy Scouts inflated black membership numbers to 20,000 to gain more donations. A civil rights leader contends there are no more than 500 blacks actively involved.

Cox, who works with Scouts in Alabama's Blount County, said the idea that someone would overstate membership goes against what the Boy Scouts are supposed to be about.

"Being trustworthy and having integrity is one of the prime points of the Scouting oath," he, said.

End ADV for Jan. 23

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/25/2005

[redacted] telephone number [redacted] was interviewed. After being advised of the identity of the interviewing agent and the nature of the interview, [redacted] provided the following information:

[redacted] since [redacted] but he has not been a [redacted] [redacted] years. He advised that he was listed [redacted] for two venture crews that did not exist. The venture crews were [redacted] [redacted] was at [redacted]

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He advised that every kid, who was in a legitimate troop, was also listed as a member in a troop that did not exist. The GREATER ALABAMA COUNCIL (GAC) paid the dues for the kids to belong to the troops that did not exist.

[redacted] e-mailed GAC to have his name removed from the troops that he was not a [redacted] for, but he was never removed. [redacted] was a [redacted] who knew that [redacted] was being wrongly listed as a [redacted]

[redacted] received voice mail messages from the [redacted] [redacted] last name unknown, on both [redacted] [redacted] wanted to know if [redacted] was still involved with scouting.

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[redacted] might have in his possession a roster for the Vulcan district that dates back to the mid [redacted]

Investigation on 01/21/2005 at Birmingham, Alabama (telephonically)

File # 46B-BH-51721-28 Date dictated 01/25/2005

by SA [redacted] *pat*

b6
b7C

AO 110 (Rev. 12/89) Subpoena to Testify Before Grand Jury

United States District Court

NORTHERN

DISTRICT OF

ALABAMA

TO:

SUBPOENA TO TESTIFY BEFORE GRAND JURY

b3
b6
b7C

SUBPOENA FOR:

☐ PERSON

☐ DOCUMENT(S) OR OBJECT(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

PLACE

United States Courthouse
Hugo Black Building
1729 Fifth Avenue North
Birmingham, Alabama 35203

COURTROOM

307A

DATE AND TIME

January 31, 2005
10:00 a.m.

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):*

☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK

PERRY D. MATHIS

(BY) DEPUTY CLERK

Y Berry



DATE

1/25/05

2004R00987

This subpoena is issued on application of the United States of America

Alice H. Martin
United States Attorney

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

J. PATTON MEADOWS JAN 27 2005
1801 Fourth Avenue North
Birmingham, AL 35203 (205) 244-2001

*If not applicable, enter "none"

46B-BH-51721-29

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| RETURN OF SERVICE ⁽¹⁾ | | |
|--|-----------------|-----------------------------|
| RECEIVED BY SERVER | DATE 1/26/05 | PLACE Birmingham, AL |
| SERVED | DATE 1/26/05 | PLACE Birmingham, AL |
| SERVED ON (PRINT NAME) <div style="border: 1px solid black; height: 40px; width: 100%;"></div> | | |
| SERVED BY (PRINT NAME) SA <div style="border: 1px solid black; height: 30px; width: 150px;"></div> | | TITLE Special Agent, FBI |
| STATEMENT OF SERVICE FEES | | |
| TRAVEL | SERVICES | TOTAL |
| | | |
| DECLARATION OF SERVER ⁽²⁾ | | |
| <p>I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service is true and correct.</p> <p>Executed on <u>1/26/05</u> <div style="border: 1px solid black; display: inline-block; width: 150px; height: 40px; vertical-align: middle;"></div></p> <p style="text-align: center; margin-left: 200px;"><u>FBI Birmingham, AL</u></p> <p style="text-align: center; margin-left: 200px;"><small>Address of Server</small></p> | | |
| ADDITIONAL INFORMATION | | |
| | | |

b3
b6
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b7C

(1) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

(2) "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure; Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 USC 1825, Rule 17(b) Federal Rules of Criminal Procedure)".

AO 110 (Rev. 12/89) Subpoena to Testify Before Grand Jury

United States District Court

NORTHERN

DISTRICT OF

ALABAMA

TO:

SUBPOENA TO TESTIFY
BEFORE GRAND JURYb3
b6
b7C

SUBPOENA FOR:

☐ PERSON☐ DOCUMENT(S) OR OBJECT(S)

YOU ARE HEREBY COMMANDED to appear and testify before the Grand Jury of the United States District Court at the place, date, and time specified below.

PLACE

United States Courthouse
Hugo Black Building
1729 Fifth Avenue North
Birmingham, Alabama 35203

COURTROOM

307A

DATE AND TIME

January 31, 2005
10:00 a.m.

YOU ARE ALSO COMMANDED to bring with you the following document(s) or object(s):*

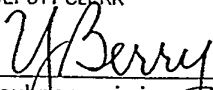
☐ Please see additional information on reverse

This subpoena shall remain in effect until you are granted leave to depart by the court or by an officer acting on behalf of the court.

CLERK

PERRY D. MATHIS

(BY) DEPUTY CLERK



DATE

1/25/05

2004R00987

This subpoena is issued on application
of the United States of America

Alice H. Martin
United States Attorney

NAME, ADDRESS AND PHONE NUMBER OF ASSISTANT U.S. ATTORNEY

J. PATTON MEADOWS FEB 1 2005
1801 Fourth Avenue North
Birmingham, AL 35203 (205) 244-2001

*If not applicable, enter "none"

46B-BH-51721-30

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| RETURN OF SERVICE ⁽¹⁾ | | |
|--|-----------------|-----------------------------|
| RECEIVED BY SERVER | DATE 1/26/05 | PLACE Birmingham, AL |
| SERVED | DATE 1/26/05 | PLACE Birmingham, AL |
| SERVED ON (PRINT NAME) <div style="border: 1px solid black; height: 40px; width: 100%;"></div> | | |
| SERVED BY (PRINT NAME) SA <div style="border: 1px solid black; height: 30px; width: 250px;"></div> | | TITLE Special Agent, FBI |
| STATEMENT OF SERVICE FEES | | |
| TRAVEL | SERVICES | TOTAL |
| | | |
| DECLARATION OF SERVER ⁽²⁾ | | |
| <p>I declare under penalty of perjury under the laws of the United States of America that the foregoing information contained in the Return of Service is correct.</p> <p>Executed on <u>1/26/05</u> <div style="border: 1px solid black; display: inline-block; width: 200px; height: 40px; vertical-align: middle;"></div> Date</p> <p style="text-align: center;"><u>FBI Birmingham, AL</u> <small>Address of Server</small></p> | | |
| ADDITIONAL INFORMATION | | |
| | | |

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(1) As to who may serve a subpoena and the manner of its service see Rule 17(d), Federal Rules of Criminal Procedure, or Rule 45(c), Federal Rules of Civil Procedure.

(2) "Fees and mileage need not be tendered to the witness upon service of a subpoena issued on behalf of the United States or an officer or agency thereof (Rule 45(c), Federal Rules of Civil Procedure; Rule 17(d), Federal Rules of Criminal Procedure) or on behalf of certain indigent parties and criminal defendants who are unable to pay such costs (28 USC 1825, Rule 17(b) Federal Rules of Criminal Procedure)".

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 02/01/2005

To: Birmingham

From: Birmingham

Squad 4

Contact: SA [redacted]

Approved By: [redacted]

Drafted By: [redacted] jat

Case ID #: 46B-BH-51721 (Pending)

Title: [redacted]

BOY SCOUTS OF AMERICA -
GREATER ALABAMA COUNCIL,
516 LIBERTY PARKWAY,
BIRMINGHAM, ALABAMA

(Handwritten: circled 2, jat)

Synopsis: To set a lead in captioned investigation.

Details: During the previous two years, [redacted] allegedly instructed employees and volunteers of the Boy Scouts of America - Greater Alabama Council, consisting of 22 counties within Alabama, to overstate the number of scouts enrolled. The non-existent scouts are referred to as "ghost units." The inflated numbers are used to increase the amount of funds received from charities such as the United Way. Greater Alabama Council also receives some Federal grant money for use in recruiting intercity scouts. It is alleged that the money provided in the Federal grants is not being used for its intended purposes.

In some instances schools, which are located within the Greater Alabama Council's District, have been listed as hosting Boy Scout Troops. Some of these schools are allegedly unaware of any Boy Scout activity in the school.

Before conducting interview, lead agent is requested to contact SA [redacted]

(Handwritten notes:)
Assign lead to 5: [redacted] 1 draft 1 sq 4 [redacted] 132 jat 02. wpd
2/1/05
2-3-05

46B-BH-51721-31

To: Birmingham From: Birmingham
Re: 46B-BH-51721, 02/01/2005

LEAD(s):

Set Lead 1: (Action)

BIRMINGHAM

AT TUSCALOOSA, ALABAMA

Locate and interview [redacted] home telephone number [redacted]
[redacted] work telephone number [redacted] was
[redacted] in Tuscaloosa. He indicated that he
has information regarding fake membership in the Boy Scouts.

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b7C

♦♦

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 02/01/2005

To: Birmingham

From: Birmingham

Squad 4

Contact: SA [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46B-BH-51721-32 (Pending)

Title: [REDACTED]

BOY SCOUTS OF AMERICA -
GREATER ALABAMA COUNCIL,
516 LIBERTY PARKWAY,
BIRMINGHAM, ALABAMA

Synopsis: To set a lead in captioned investigation.

Details: During the previous [REDACTED]
[REDACTED] employees and volunteers of the Boy Scouts of America - Greater Alabama Council, consisting of 22 counties within Alabama, to overstate the number of scouts enrolled. The non-existent scouts are referred to as "ghost units." The inflated numbers are used to increase the amount of funds received from charities such as the United Way. Greater Alabama Council also receives some Federal grant money for use in recruiting intercity scouts. It is alleged that the money provided in the Federal grants is not being used for its intended purposes.

In some instances schools, which are located within the Greater Alabama Council's District, have been listed as hosting Boy Scout Troops. Some of these schools are allegedly unaware of any Boy Scout activity in the school.

Before conducting interview, lead agent is requested to contact SA [REDACTED]

Amick
Lead to
MA
2/2/05
9/1

46B-BH-51721-32

To: Birmingham From: Birmingham
Re: 46B-BH-51721, 02/01/2005

LEAD(s):

Set Lead 1: (Action)

BIRMINGHAM

AT HUNSTVILLE, ALABAMA

Locate and interview [redacted] cell telephone
number [redacted] home telephone number [redacted] e-mail
address [redacted] prefers to be contacted on
his cell telephone. [redacted] the
former Tennessee Valley Council of the Boy Scouts, which is now
the Greater Alabama Council. He indicated that he has
information regarding bogus memberships.

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washingtonpost.com

Boy Scouts Suspected of Inflating Rolls

By Manuel Roig-Franzia
Washington Post Staff Writer
Saturday, January 29, 2005; Page A01

JACKSONVILLE, Ala. -- The middle-aged parents, unmistakable in their Boy Scout leader browns and khakis, clumped outside a training meeting here, their worries spilling out. These are troubled days for the grown-ups at the Scout get-togethers sprinkled among the churches, back yards and schoolhouses of Alabama's rolling northeast.

Federal subpoenas have been flying around. FBI agents have been asking questions, and the administrators down at the Boy Scouts' Greater Alabama Council headquarters in Birmingham have had to fess up to hundreds of volunteers that their 22-county organization is under federal investigation. The same U.S. attorney's office in Birmingham that this week opened its case against HealthSouth executive Richard M. Scrushy, one of the marquee corporate corruption probes in the nation, is also investigating the local Boy Scouts.

Volunteers say paid Scout leaders have created fictitious "ghost units" for years to pump up membership numbers to trick donor groups and charities, including the United Way, into giving them more money. In some cases, the alleged membership scams do not even appear to have been very clever. Volunteer Tom Willis, a 1960s Eagle Scout who is also the father of two Eagle Scouts, says he was presented with a roster for a supposed group of 30 youths in Fort Payne, Ala. -- each had the last name Doe.

"It seems to go against the basic things Scouts are about: trustworthy, loyal . . . trustworthy, most of all," volunteer Susan Backus said as the stragglers trickled out of the Jacksonville training meeting.

The uproar in Alabama, the latest in a string of at least five bogus-membership scandals in Boy Scout councils around the country since the 1990s, has exposed an undercurrent of tension between unpaid volunteers and the professionals who are paid -- sometimes handsomely -- to run Boy Scout programs.

The United Way of Central Alabama, which received a subpoena and is one of several chapters that contributed money to the Greater Alabama Council, has given more than \$6 million to the council in the past five years. Big membership numbers can translate to big donations, promotions and pay raises, many volunteers say, providing temptation for ambitious Scout leaders to engage in creative accounting.

"Just because these people call themselves Boy Scout professionals doesn't mean they're going to adhere to the principles of the Boy Scouts," said Ralph Stark, a Boy Scout volunteer in Locust Fork, Ala., and a retired investigator for the Office of Personnel Management. "They're playing the game of a businessperson."

Stark and other Boy Scout volunteers here describe a high-pressure recruiting environment, something

46B-BH-5721-33

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JAN 29 2005

FBI - BIRMINGHAM

1/31/2005

akin to the get-the-numbers-up hype of a sales convention. Boy Scout enrollment has been declining at the same time that the organization has been dealing with lingering controversies about the dismissal of gay and atheist Scout leaders. The number of youths in Scouting programs -- including Boy Scouts, Cub Scouts and coed Venturing groups -- dropped more than 5 percent in 2003 from the year before, to 3.2 million, according to Boy Scout statistics.

The decline worries volunteers, such as Backus and Stark, who volunteer 20 hours a week and rave about the impact Boy Scout programs can have on young people, particularly those without solid "family or religious" foundations. But the possible manipulation of numbers, both here and elsewhere, worries them even more.

The Boy Scouts have a long history of membership imbroglios. In the mid-1970s, a large council in Chicago was caught boosting minority enrollment figures. During the 1990s, councils in Los Angeles, Vicksburg, Miss., and Jacksonville, Fla., were tangled in ghost-unit controversies. In the past few months, as the Alabama case has grown from suspicions to a publicly acknowledged investigation, a civil rights leader in Atlanta has accused local Boy Scout leaders of falsifying minority enrollment figures to get more grant money. U.S. Postal Service investigators and a federal grand jury in Dallas have looked into allegations as recently as 2003 that a large Boy Scout council manipulated membership numbers.

"It can't be happening in so many parts of the country unless there's pressure from the top," Willis said.

Sometimes the controversies have exacted a financial toll. Private grant money was pulled in Jacksonville, Fla. Charity donations decreased when the Los Angeles council corrected its numbers. The Dallas council has gotten less United Way money since deleting nearly 12,000 names, which was about a quarter of its alleged membership and included a large number of names in low-income areas, from the rolls.

A common denominator in the Dallas and Alabama cases is Ronnie Holmes, the top-ranking executive in the Greater Alabama Council, one of four Boy Scout councils in the state. Holmes was a regional administrator when allegations of numbers-fixing arose in Dallas in 2000. Dale Draper, a Dallas Boy Scout employee who discovered the phony membership figures, said his concerns were "swept under the rug" by Holmes during an internal audit.

"Before they did the audit, he told me, 'I can tell you, we won't find anything,' " said Draper, now a Scout volunteer in Utah. "It seemed like the good-old-boy network."

In Alabama, Holmes is one of the Scout executives who volunteers say has not been responsive to complaints about ghost units. Volunteers have been irked at Holmes, who did not respond to five phone calls requesting an interview, and others over the handling of the council's \$7 million annual budget, the proposed sale of old campgrounds and the symbolism of the council's \$2 million Birmingham headquarters.

Volunteers blanched after discovering this year that Holmes was paid \$221,369 in 2003 -- more than eight times the \$26,735 median household income in Birmingham and significantly more than Alabama's other Scout executives, who made between \$82,000 and \$145,800 in the same year.

Randy Haines, a Compass Bank executive and incoming chairman of the Greater Alabama Council's volunteer board, a group stocked with some of the Alabama business world's elite, declined to discuss any aspect of the organization's publicly disclosed finances or to say whether the council has hired a

defense lawyer. Haines said that he is unaware of manipulated numbers but that the council is cooperating with investigators and conducting an internal audit.

"I really don't want to get into a lot of detail," he said. "We're restricting our statements."

A Boy Scouts of America spokesman, who did not return calls for this article, told the Associated Press that the national organization is "dedicated to the accurate reporting of membership." Federal prosecutors also did not return calls about the case.

Backus, one of the volunteers, said membership scams have been an "open secret" for years in Alabama. They even had nicknames. One was called "Up and Out" and involved signing up Scouts near the end of the year and then double-counting them as new members on the rolls of that year and the next, she said. Volunteers also talk of getting long lists of units with fake names from council headquarters and from mid-level district executives. Backus ran across the problem seven years ago when she tried to contact unit leaders about a Cub Scout day camp.

"They'd say, 'That pack has been dead for years,' " she recalled. "You're seeing all these units on paper, but you're not seeing any people. . . . You can only blame it on bad record-keeping for so long."

Already, charities in Alabama have begun to worry about fallout. These are not easy times to raise money in the financially struggling state, and the Boy Scouts' woes may only compound the difficulties.

"Any scandal -- or the appearance of a scandal -- hurts all charities," said Steve Kirkpatrick, chief executive of the Madison County United Way chapter, which has given the Scouts' Greater Alabama Council more than \$900,000 since 1998. "People use it as a reason not to give."

Yet, as the case unfolds, Scouts are still bucking for merit badges in Alabama, still reciting their oaths, even as their parents fret that the grown-ups' troubles will seep down into the psyches of the kids. The council is making plans, too, touting one of its next big events. It will be in March, and it is called "A Night of Honor."

Research editor Lucy Shackelford contributed to this report.

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 02/07/2005

To: Birmingham

Attn: SA [redacted]

From: Birmingham

Squad 8/Tuscaloosa RA

Contact: SA [redacted]

Approved By: [redacted]

Drafted By: [redacted]

nrm [signature]

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✓ Case ID #: 46B-BH-51721 (Pending)

Title: [redacted]

BOY SCOUTS OF AMERICA,
516 LIBERTY PARKWAY,
BIRMINGHAM, ALABAMA

Synopsis: EC to report lead covered in Tuscaloosa, Alabama.

Reference: 46B-BH-51721 Serial 31

Details: On 2/7/2005, a whitepages.com reverse phone search revealed that individual to be interviewed does not reside within the territory of the Tuscaloosa Resident Agency. Home telephone number of [redacted] returned to [redacted]

[redacted] work phone number [redacted] returned as Volunteers of America, 801 E. Old Hickory Blvd., Madison, TN 37115-4169.

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[signature]

As individual to be interviewed is not located in the division, Birmingham considers this lead covered.

46B-BH-51721-34

| | |
|-------------|---------|
| SEARCHED | INDEXED |
| SERIALIZED | FILED |
| FEB -7 2005 | |
| [redacted] | |

[signature]

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To: Birmingham From: Birmingham
Re: 46B-BH-51721, 02/07/2005

LEAD(s):

Set Lead 1: (Info)

BIRMINGHAM

AT BIRMINGHAM, ALABAMA

Read and clear.

♦♦



Scouts defend 'John Doe' roster entries

Friday, February 11, 2005

JEREMY GRAY
News staff writer

The Greater Alabama Council of the Boy Scouts of America issued a statement Thursday defending its use of "John Does" on Scout rosters.

The FBI is investigating whether Alabama Council administrators falsely inflated membership numbers. Some critics have said pseudonyms were used to create "ghost units" to get more money from charities and donor groups.

The council statement said a pseudonym is used to protect the identities of at-risk kids in Scout programs.

"The registration of scouts as John Doe should not be construed as an attempt to falsify records, inflate lists, or deceive any person or organizations," the statement said.

Tom Willis, a Fort Payne Scout volunteer, said the Does he found on one Scout roster were supposedly fourth-graders at Fort Payne Elementary School and not in a drug rehabilitation or other program for at-risk youths.

Willis, who earned the rank of Eagle Scout, said at-risk youths usually enroll in a Learning for Life program and are not included on Boy Scout rosters.

"You can't count them as Scouts, that's the problem," he said.

A letter from Tim Naugher, director of The Bridge Inc., a youth substance-abuse facility based in Gadsden, was included with the council's statement. It said several of its young people take part in Scouting's Venturing Crews on an anonymous basis.

Naugher wrote to Scout officials Feb. 3 and said he was concerned the investigation might lead to a requirement that all kids who participate in Scouts be identified by name.

Federal law would prohibit disclosing the names of the youths who participate, Naugher said.

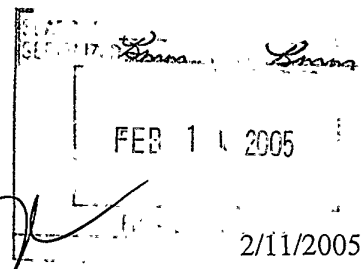
The statement said the Greater Alabama Council has developed "an aggressive plan for implementing an internal audit." The plan is being implemented by community and business volunteers, the statement said. Council employees are "cooperating fully," according to the statement.

E-mail: jgray@bhamnews.com

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46B-BH-51721-35

<http://www.al.com/printer/printer.ssf?/base/news/1108116976126530.xml>



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A local Boy Scout leader said Friday there has never been an attempt to create fictitious Scout "ghost units" at Fort Payne elementary schools.

Federal authorities are investigating claims that professional Scout leaders in Alabama have been creating such fictitious units for years to pump up membership numbers to trick donor groups and charities – including the United Way – into giving Scouts more money.

Bill Mitchell, a Fort Payne businessman, Scout Master and Chairman of the Sequoyah District of Boy Scouts, said concerns about such groups existing at Williams Avenue and Wills Valley elementary schools were addressed by the Greater Alabama Council of Boy Scouts at a meeting in Birmingham earlier this week.

Tom Willis, a Decatur dentist who earned the rank of Eagle Scout and has served on the council's board, said he saw a list of 20 youth with the last name of "Doe" who were supposedly in a scouting program for regular fourth-graders at a Fort Payne elementary school.

While they were supposedly in a scouting program that can include drug abuse prevention, Willis said there was no reason for their real names to be disguised.

Mitchell said the program in question actually involves special needs children, whose identities are protected

by federal law. He said he doesn't believe there was ever a local attempt on the part of Boy Scout officials or educators to deceive charitable organizations by using ghost units to inflate scout unit membership rolls.

Fort Payne school superintendent Jimmy Cunningham said three different special needs classes at Fort Payne Middle School, Williams Avenue and Wills Valley participate in character education classes offered through the Boy Scouts. He said the program is offered only to special needs students.

Cunningham said the school system released only the first names of the students to the Boy Scouts organization in May 2002, at which time the school system entered into a contract with the Scouts concerning the program, which Cunningham said is still being offered.

He said the names of the special needs students participating in the program were released to Scout officials in a manner consistent with federal laws that protect the identity of such students.

Mitchell said he is unsure whether the first names of the special needs students were ever actually altered to "John" but said the surname of "Doe" was used as the common designation for those students.

The Greater Alabama Council of the Boy Scouts of America released a statement about the practice.

In a statement, the council said boys involved in scouting programs for at-risk youths are sometimes registered under pseudonyms like "John Doe" to protect their identities.

"The registration of Scouts as John Doe should not be construed as an attempt to falsify records, inflate membership lists or deceive any person or organization, but an effort to bring the scouting experience to all young men," the group said.

While each child is required to fill out a membership application, names and personal information doesn't

have to be on the form, the council said.

Cunningham said he has not been contacted by federal authorities regarding the investigation.

The council, which confirmed the FBI review last month and said it was cooperating with investigators, said it had developed "an aggressive plan" for implementing an internal audit.

The Boy Scout council received millions of dollars from United Way chapters during the six-year period, and is supposed to get about \$1 million this year.

Suspensions about bogus members have led to investigations of Boy Scout councils elsewhere, including Texas and Atlanta, where auditors are currently reviewing claims that black membership was overstated by thousands to boost donations.

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FBI investigates Boy Scouts for fraud

Is the organization padding its membership to help raise funds?

By Martin Savidge

Correspondent

Updated: 7:37 p.m. ET Feb. 17, 2005

ATLANTA - Nothing says trustworthy like a Boy Scout. So when the FBI began investigating reports the Greater Alabama Boy Scout Council was lying about how many members it had, eyebrows went up. Allegations of membership padding by paid Scout executives have also been made in five other states.

One employee, who didn't want to be identified, says in some Scout councils it's almost a joke.

"I remembered hearing the registrar and some of the professional staff joking about who's got a goldfish, who's got a cat or a dog," she says. "[In other words,] who's got a name I can put in?"

On Scout rosters obtained by NBC News, names are frequently duplicated. Others have phony Social Security numbers. And over and over again different Scouts share the same home address.

Much of the Boy Scouts' funding, as evidenced by the Birmingham Council's 990 tax form, comes from business and government grants — that's tax dollars and charities. United Way alone gives the Boy Scouts \$85 million a year.

"The more Scouts you have, the more you can ask for funding," says Boy Scout volunteer Dr. Tom Willis.

In Dallas, former council employees say the Scout count was inflated 20 to 30 percent. In Birmingham, some believe the numbers were hyped 30 to 40 percent. In Atlanta, a local civil rights leader accuses the Boy Scouts of inflating their inner city membership by thousands.

"I don't think there's any Scoutmaster in Atlanta that would tell you that there's more than 5- or 600," says volunteer Robert Kent.

Critics say the Boy Scouts' national office turns a blind eye while reaping annual registration fees paid by local Scout councils for every member, real or not. In 2002 that amounted to over \$109 million.

Boy Scouts of America declined an interview, but in a statement said, "Accurate reporting of membership is essential. Falsifying records is unacceptable."

The allegations anger scouting volunteers who blame the paid professionals.

"We all know about this dirty secret, and it's something that's got to change," says Kent in Atlanta.

Founded to provide guidance for boys and teens, nearly a century later critics say Boy Scout executives could use some guidance of their own. And for that, they need only look to their members — if they can find them.

URL: <http://www.msnbc.msn.com/id/6988233/>

46B-BH-51721-37

<http://www.msnbc.msn.com/id/6988233/print/1/displaymode/1098/>

FEB 18 2005

2/18/2005

FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 02/16/2005

To: Birmingham

From: Birmingham

Squad 4

Contact: SA [redacted]

Approved By: [redacted]

Drafted By: [redacted]

jat

Case ID #: 46B-BH-51721 -38 (Pending)

Title: [redacted]

BOY SCOUTS OF AMERICA -
GREATER ALABAMA COUNCIL,
516 LIBERTY PARKWAY,
BIRMINGHAM, ALABAMA

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INDEX



Synopsis: To change the investigative classification of this case.

Details: Writer requests that the investigative classification of the aforementioned case be changed from 46B to 46H. The allegations in this case involve the misuse and fraudulent acquisition of grant money from Housing and Urban Development (HUD). Per EC,66F-HQ-1396618, from CID to all field offices dated 02/11/2005, the investigative classification of all 46B cases is to be changed.

♦♦

*Reclassifying
to 46H
2/16/05*

*CI
2/17/2005*

46H-BH-51721-38

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 01/13/2005

[redacted]
was interviewed at her place of employment, GREATER ALABAMA COUNCIL (GAC) of the BOY SCOUTS OF AMERICA (BSA), 516 Liberty Parkway, Birmingham, Alabama. After being advised of the identity of the interviewing agent and the nature of the interview, [redacted] provided the following information:

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[redacted]
These receipts are printed from a computer and an electronic version is not retained. [redacted] The scout shop retains a binder of the same reports. The records are kept for seven years in a locked room at GAC. [redacted] said that "everybody" has access to that room. She expressed that there is a possibility that records could have been thrown away. There is a requirement by BSA that these records be kept somewhere between three and seven years; [redacted] was not sure exactly how long. These records are filed by the day and called the GL Export Summary Report.

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[redacted] with reports
[redacted] reports contain the number of scouts registered for the same period of time. The reports from [redacted] can be cross-referenced with the ledger by their batch numbers. The national BSA office automatically withdraws the money for registrations.

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[redacted] She has all the documentation regarding fund-raising.

[redacted] Full time employees' paychecks are deposited electronically into their personal accounts. Checks are cut to pay part time employees.

[redacted] has worked for BSA for [redacted] Prior to working at GAC she worked for BSA [redacted]

On the general ledger, line items marked "restricted" are for registrations. Registrations paid for by the council for those scouts needing assistance are designated on the ledger by account number 1-8901-100-25. A copy of the Request for Assistance form is given to [redacted] keeps the original.

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Investigation on 01/07/2005 at Birmingham, Alabama

File # 46B-BH-51721 - 39 Date dictated 01/13/2005

by SA [redacted] *jt*

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 02/23/2005

[redacted] home telephone number [redacted] work telephone number [redacted] home address [redacted] called the Federal Bureau of Investigation, Birmingham, Alabama. After being advised of the identity of the interviewing agent and the nature of the interview [redacted] provided the following information:

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[redacted] was employed by the BOY SCOUTS OF AMERICA (BSA) in Colorado Springs, Colorado from [redacted] first as a [redacted] and then as a [redacted] worked for the Pikes Peak Council, Colorado Springs, Colorado. There are about twelve thousand kids in that council. [redacted] believes ninety five percent of the membership is legitimate.

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[redacted] because he was did not want to "play games," which were necessary to succeed in BSA. He did not meet the goals outlined by his superiors because he did not "cheat" like other scout professionals. He advised that pressure was placed on him by his superiors to increase membership using the names of kids who were not really scouts.

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Scout professionals in [redacted] council would go to latter day saints churches and register all kids in the church as scouts. Some of these kids never knew they were registered as members of BSA; he also advised that some of the kids who were registered were away at college and not attending church at the time. A woman, who worked with [redacted] was registered as a scout even though he was not a scout. The [redacted]

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[redacted] supervisor was ambitious, wanted to be promoted, and therefore needed to increase membership numbers. The pressure to meet membership goals came from the national office. When [redacted] began his career with BSA he acquired units, which indicated to him that his predecessor "cheated." He gave an example of a phone call he made to the bishop of a church with an explorer post. The bishop advised that the unit did not exist, and some of the boys listed as members were away at college. [redacted] told his supervisor about the fake troops, and his supervisor

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Investigation on 02/23/2005 at Birmingham, Alabama (telephonically)

File # 46B-BH-51721-40 Date dictated 02/23/2005

by SA [redacted] *jat*

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46B-BH-51721

Continuation of FD-302 of , On 02/23/2005, Page 2

advised him to leave the kids "on the books" to meet membership goals. also told the scout executive and the area director, both of whom were not concerned about the fake troops.

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At the end of the year a council can receive an award from BSA called the quality council award. Part of the criteria for receiving this award is an increase in membership.

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 02/03/2005

An individual who is in a position to testify provided the following information:

Individual advised that a group calling themselves "Concerned Scouters" has been formed from volunteers in the different districts in the GREATER ALABAMA COUNCIL (GAC), BOYS SCOUTS OF AMERICA (BSA). [redacted] telephone number [redacted] of this group. [redacted] name is [redacted] telephone number [redacted] is part of the group.

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The group has obtained the membership records for the units in GAC. They are going to audit a date in October 2004. A volunteer is going to talk to each unit in GAC. The group has a Yahoo! group called Concerned Scouters. Individual [redacted]

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Individual also advised that [redacted] is a [redacted]

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jat

FIG

Investigation on 01/27/2005 at Birmingham, Alabama (telephonically) *mm*
by SA [redacted] File # 46B-BH-51721 - 41 Date dictated 02/03/2005 *mm*
by SA [redacted] FE 3 2005

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 02/24/2005

[redacted] white male, date of birth [redacted]
[redacted] Social Security Number [redacted]
[redacted] telephone [redacted] was interviewed at the
Huntsville office of the FEDERAL BUREAU OF INVESTIGATION and
advised as follows:

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[redacted] in Huntsville and is not involved in scouting. [redacted]
[redacted] last involvement in scouting was around [redacted]
[redacted] stated that he is not presently involved because he is going to
school and because of the politics involved in the scouting.
[redacted] is an Eagle Scout and states that he wants to get back
involved with scouting when he finishes college.

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[redacted] was last involved in scouting as a member of a
troop and a member of the [redacted] which is a mostly
ceremonial group. [redacted] troop was associated with the
TENNESSEE VALLEY COUNCIL, which was later merged to form the
GREATER ALABAMA COUNCIL. The scouting organization consisted of
the council with a paid executive for each district and then a
district committee composed of volunteers and then the troops.

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[redacted] stated that one problem that he had when he was
in the [redacted] was that too many adults and scout
executives were involved in making decisions, which seemed to
benefit them more than the scouts. [redacted] was in the Jackson
District and the district executive there was a lower paid
position. [redacted] stated that the district executives were paid
based on the number of scouts that they had and that most of the
executives did not stay in the Jackson District long because they
would move on to another district where they could make more money.
He stated that the Jackson District was unstable due to this.

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[redacted] stated that [redacted] there was a district
executive in the Jackson District whose name he can not recall. He
was very involved and well liked. [redacted] talked to him and told
him he hoped he would stay in the Jackson District for a long time
and the individual told him that his pay was based on the number of
troops and members that he had. Therefore, if he got an offer to
go to a bigger district, he would have to take it for the benefit
of his family. This district executive also told [redacted] that one

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b7CInvestigation on 02/22/2005 at Huntsville, AlabamaFile # 46B-BH-51271 51721-42Date dictated 02/22/2005by SA [redacted] mmpb6
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46B-BH-51271

Continuation of FD-302 of _____, On 02/22/2005, Page 2

problem he had was the previous executive was carrying people on the rolls that were no longer members. If these people were dropped, it would hurt his salary. He told _____ that one time he was considering paying the dues of these people just to keep his numbers up.

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_____ stated that when he was around other groups of scouts, he heard people talking and heard of scout masters receiving registration cards when a troop no longer existed.

_____ said they had no specifics on this and this was just all general talk.

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_____ stated that the _____ due to scout regulations, could not hold bank accounts with funds. _____ would travel and would hold funds raisers to raise money. _____ members would join an Explorer Post so that the funds from these fund raisers could be handled through the explorer post bank accounts. They would also receive insurance coverage from the Explorer Post for when they traveled. Their membership and the Explorer Post was for the sole reasons of insurance and handling funds.

_____ stated that he did not have any specific information of any scout troops that inflated numbers.

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 03/11/2005

[redacted] white male, DOB [redacted] residence address of [redacted] Ph.# [redacted] [redacted] employed as [redacted] by the VOLUNTEERS OF AMERICA, Tennessee Chapter, 801 East Old Hickory Boulevard, Suite 150, Madison, TN., 37115, Ph.#(615) 860-4188, was made aware of the Interviewing Agent's identity and purpose for the interview, and thereafter provided the following information during subsequent interview conducted at his place of employment:

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[redacted] is a former BOY SCOUTS OF AMERICA (BSA) employee, having worked a total of [redacted] for the BSA before leaving in [redacted]. The last four (4) years of his employment with the BSA were spent in the Tuscaloosa, AL., Council (the Council), from [redacted] held the position of [redacted] for approximately [redacted] then was promoted to [redacted] and finished his time with the BSA as [redacted] after the former [redacted] left the Tuscaloosa Council for a position in the Baton Rouge Council in Baton Rouge, LA. [redacted] explained the [redacted] position is comparable to a business company position of [redacted] within the Council.

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[redacted] becoming [redacted] when on the first day in this new position he was informed by the Council Office Manager the Council had over \$30,000.00 in bills due and \$5,000.00 in the Council checking account. [redacted] was able to persuade a donor to cover these expenses by convincing him to fulfill a donation commitment earlier than had been scheduled. [redacted] next learned the ten (10) vehicles purchased by the Council had been inexplicably refinanced, leaving no equity in any of the vehicles. [redacted] believes the previous [redacted] made this decision but was not a witness to this transaction. [redacted] is not aware of the disposition of any funds realized by refinancing the vehicles in order to withdraw equity, and never observed any bookkeeping entries in any account ledger(s) to reflect the realization of such funds by the Council. He did recall that [redacted] appeared to be "desperate" to leave the Council, and actively pursued other positions before eventually being selected to fill a vacancy in the Baton Rouge Council.

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b7CInvestigation on 03/10/05 at Madison, TN.File # 46H-BH-51721 - 43 Date dictated 03/11/05by SA [redacted] JSM/jsm *jat*b6
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46H-BH-51721

Continuation of FD-302 of [REDACTED]

, On 03/10/05 , Page 2

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[REDACTED] advised there was "enormous pressure" placed upon the Councils by the BSA to recruit and serve youth in the geographic areas covered by the various Councils. Council employees were expected to meet or exceed their quotas or would be fired from their paid positions. [REDACTED] described the SCOUTREACH program which was designed to attract and serve inner-city at-risk youths. The Council spent approximately \$100,000.00 per year combined on this program and another program called LEARNING FOR LIFE, in which Council Recruiters went into local schools to recruit and serve youths. The money spent for these two (2) programs amounted to a sizeable portion of the Council budget, and [REDACTED] had misgivings about the effectiveness of both when the amount of funding dedicated to them was considered. The Council received most of its operating budget funds through donations obtained through the annual fund raising campaign.

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[REDACTED] recalled situations in which a SCOUTREACH recruiter would go into an inner-city area sporting event and sign up seventy-five (75) youths to become Boy Scouts. However, at subsequent scheduled meetings perhaps only three (3) of the original seventy-five might show up for the scout troop meeting. The Recruiter still received credit on paper for the original seventy-five youths who signed up as Scouts. [REDACTED] did not believe Recruiters did this with any malice aforethought, but it merely reflected the deficiencies of the system. [REDACTED] never witnessed any examples nor does he possess any evidence of any Council Recruiter(s) intentionally creating "ghost units" or phony Boy Scout troops to artificially increase the numbers of youths served in the Council's region.

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An on-scene audit conducted of the Council's financial records by auditors from the BSA Regional Office in Atlanta, GA., in approximately February of 2003 revealed the previously mentioned financial problem with the refinancing of the vehicles operated by the Council. Auditors also found apparent misuse of Council credit cards, which was handled by allowing the Council employees to reimburse the Council for any questionable purchases. No further action was taken in either matter.

[REDACTED] believes the Council received approximately \$25,000.00 in federal HOUSING AND URBAN DEVELOPMENT (HUD) funds which were spent in the SCOUTREACH program. To the best of his recollection, the funds came to the Council through the local Tuscaloosa public housing authority.

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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 04/13/2005

To: Birmingham

Attn: ECT

From: Birmingham

Squad 4

Contact: SA

Approved By:

Drafted By:

Case ID #: 46H-BH-51721-45 (Pending)

Title:

BOY SCOUTS OF AMERICA -
GREATER ALABAMA COUNCIL,
516 LIBERTY PARKWAY,
BIRMINGHAM, ALABAMA

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Synopsis: EC for late submission of FD-192 forms.

Details: During the investigation of captioned matter, SA [redacted] received items and documents from [redacted] and [redacted] pursuant to a Federal Grand Jury Subpoena. This was the first time SA [redacted] received evidence pursuant to a subpoena; therefore, SA [redacted] did not know there was a 10-day deadline to submit the FD-192s. As a result, the 10-day deadline was not met for submission of the FD-192s.

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46H-BH-51721-45

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- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 12/29/2004

[redacted] home address [redacted]
[redacted] cell telephone number [redacted] was
interviewed at his place of employment, [redacted]
[redacted] Pell City, Alabama. After being advised of the
identities of the interviewing agents and the nature of the
interview, [redacted] provided the following information:

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[redacted] is an [redacted] butted
heads with GREATER ALABAMA COUNCIL OF THE BOY SCOUTS OF AMERICA
(GAC) [redacted] talked to
a board member this morning, December 16, 2004. The board member
advised that the volunteers were upset over the proposed sale of
GAC camps. The volunteers are planning to start a lawsuit.

[redacted] is worried that he will be left with no
protection from GAC because he is a former employee. He said that
GAC will "back their own" with lawyers and unlimited resources. He
was the [redacted] He moved to the
Birmingham office in [redacted] His last day at GAC was [redacted]

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[redacted] advised that the boy scout regional office has
audited GAC. A couple of years ago [redacted]
[redacted] reported "bad" units to the regional office.
[redacted] was the district employee who had the "bad" unit
in St. Clair County, Alabama. The unit was considered bad because
the kids were not really members and were not being served by GAC.
Since that time a number of things have been set in place to serve
kids. [redacted] has books about how they are serving kids.

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In July and August each year there is a greater push to
increase the number of youths registered in boy scouts. The
[redacted] has a venturing program that 260 kids are signed up
for. Five to six programs were planned for this unit. Prior to
[redacted] departure from GAC, one program had occurred. A
representative from a hospital came to the school. [redacted]
filled out the registration applications for the youths in the
unit.

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Program aides, who were first hired a couple of years
ago, go to the schools and provide programs to the children.

Investigation on 12/16/2004 at Pell City, Alabama

File # 46B-BH-51721-46 Date dictated 12/29/2004

by SA [redacted]
SA [redacted]

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46B-BH-51721

Continuation of FD-302 of [REDACTED], On 12/16/2004, Page -2-

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School counselors fill out the registration applications for the youths in the school. The program aides were hired because GAC was not serving these kids in the in-school units.

[REDACTED] was advised by [REDACTED] of a conversation between [REDACTED] told [REDACTED] that unit membership is being inflated all over the council. [REDACTED] mentioned to [REDACTED] that an employee had just quit working for GAC. [REDACTED] asked [REDACTED] if the employee was [REDACTED] and [REDACTED] backed off from his conversation with [REDACTED]

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[REDACTED] does not believe GAC employees will be willing to talk to investigators because they are instructed not to talk to anyone. [REDACTED] are DD's who also signed applications.

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[REDACTED] described some units as having been "cleaned-up" because the kids weren't getting any programs from GAC. Volunteers looked at rosters recently. The rosters stay on the books for a year. The charter renewal date is on the rosters; this date is in the future. He believes the information that [REDACTED] has is old.

[REDACTED] advised that there are a percentage of youths who do not even know that they are scouts. He believes that problem has gotten better in the last two years. In the last one and a half years GAC has gotten rid of multiple units in schools. [REDACTED] will have audit paperwork. [REDACTED] led to improvements.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 04/21/2005

[redacted] was provided with a recording device. [redacted] proceeded to engage in consensually monitored telephone calls. [redacted] called [redacted] at [redacted] at telephone number [redacted] advised that [redacted]

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[redacted] called the GREATER ALABAMA COUNCIL (GAC) of the BOY SCOUTS OF AMERICA and asked to speak to [redacted]

[redacted] called [redacted] at [redacted]

[redacted] called [redacted] at [redacted] on [redacted] cell phone with [redacted] proceeded to engage in a conversation

[redacted] called [redacted] at [redacted] at telephone number [redacted] proceeded to engage in a conversation with [redacted] allowed the cassette tape to run out and did not switch sides. Only a portion of [redacted] conversation was recorded.

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[redacted] met the interviewing agents at a secure location where the recording was retrieved. The recording was secured and maintained until being entered into the files of the FBI.

[redacted] advised that he spoke [redacted] for about twenty minutes more after the tape ran out. [redacted] discussed [redacted]

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b7DInvestigation on 12/16/2004 at [redacted]File # 46H-BH-51721-49Date dictated 04/21/2005by SA [redacted]
SA [redacted]b6
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46H-BH-51721

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b7D

Continuation of FD-302 of _____, On 12/16/2004, Page 2

After discussing his conversation with _____ provided the following additional information to the interviewing agents:

_____ advised that there were two audits. One audit was done by the regional office and was of the LEARNING FOR LIFE units. The second audit was of the traditional units, who receive assistance. _____ advised _____ will keep on file letters and notes stating whether or not the unit will continue.

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_____ advised that \$10 is paid for each at risk or special needs child to be enrolled as a scout in Fort Payne and throughout the rest of GAC's territory. There are some instances where parents pay the membership fee but most children are minorities and therefore part of SCOUTREACH. _____ believes that it is possible that the parents of some of the children, whose membership fees were paid by GAC, were financially able to pay.

_____ advised that not all children in all of the schools were registered as scouts. The principals or the counselors told him which children could be enrolled as scouts.

_____ has never before seen the board so involved. _____ believes _____ invited the board to become involved.

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_____ advised the _____ previous territory, which was _____ who worked _____

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 04/04/2005

[] was interviewed at the Federal Bureau of Investigation, Birmingham, Alabama. After being advised of the identity of the interviewing agent and the nature of the interview, [] provided the following information:

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[] is an employee of the GREATER ALABAMA COUNCIL (GAC) of the BOY SCOUTS OF AMERICA (BSA). [] told [] that he wished the FBI would call him. [] has information related to the SCOUTREACH program. [] advised that [] is another employee of GAC with information pertaining to SCOUTREACH.

[] advised that [] received a registered letter on March 28, 2005 while at work at GAC. [] is [] She may know what the letter was about.

[] provided the agent with copies of the following documents: "Guidelines for Finding Falsified Membership in BSA Scouting Units," a March 26, 2004 memo from [] "Northeast Assisted Units," "2005 Leadership Summer Camp Report," and an e-mail from [] "Membership by Program for January 2005," and an April 28, 2004 memo from [] These documents were entered into the files of the FBI.

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[] listened to a recording, which he previously mailed the agent. The recording was of "1D4." [] provided the following information based on the recording:

[] spoke to [] in January 2004. [] from GAC. [] advised that [] did not hire program aides because most of the units are fraudulent. Program aides were not hired until December 2004. [] explained that the program aides completed a report each time they met with children. The report documented their hours worked and therefore their pay.

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[] advised that on the recording he briefly spoke to []

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[] advised that he told [] that [] had told [] to falsify membership. [] told [] that []

Investigation on 3/29/2005 at Birmingham, Alabama

File # 46H-BH-51721-50 Date dictated 04/04/2005

by SA [] *pk*

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46H-BH-51721

Continuation of FD-302 of _____, On 3/29/2005, Page 2

had told _____ to "sell" Leeds High School on Exploring. _____ told _____ to copy the information from the Exploring unit to a Venturing unit. _____ referred to this as "creative membership." _____ explained to _____ that he would appear to register twice as many children in scouts; the money to pay for the duplicate memberships would come from "Fund 100." _____ advised that GAC would "sell" the Learning for Life (LFL) program and the Exploring program to the school employees. The names of students obtained from the school for the LFL and Exploring units would then be duplicated to more traditional units.

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_____ advised that _____ confronted him two days after he spoke to _____ believes _____ had told _____ advised that _____ did not deny the fact that there are fraudulent troops. _____ told _____ that he did not care "if the troops meet once a year or less often."

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_____ advised that he spoke to _____

_____ advised that _____ looked at a list of units, receiving assistance. In particular, _____ looked at _____ second ward. _____ advised that the two prior years the principal of the school where _____ was located signed the membership forms to register the children as scouts. _____ advised that he had three troops to organize. _____ wanted to talk to _____ before he organized the troops because _____ wanted to use the troop numbers of previously fraudulent troops in order to cover up the fact that the troops were fraudulent.

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_____ advised that there was a report around the beginning of March 2005 that said six hundred boys went to camp. _____ knows that only fifty-one boys were sent to camp. _____ advised that _____ was upset that the report was distributed that said six hundred boys went to camp. _____ advised that _____ has more information on this report.

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_____ advised that he received an e-mail from _____ on January 27, 2005. _____ advised the recipients of the e-mail to call and remind only certain people of the annual business meeting. _____ only wanted the people who would vote his way to be reminded. _____ Last Name Unknown (LNU), _____ LNU, _____ LNU, and _____ LNU also received the e-mail.

46H-BH-51721

Continuation of FD-302 of _____, On 3/29/2005, Page 3

_____ advised that _____ is the _____
_____ of a "good" troop, meaning all the children enrolled in the
troop are legitimately registered as scouts and active in scouting.
_____ advised that _____
telephone number _____ is a former GAC employee.

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_____ advised that fraudulent units are referred to as
"red" units at GAC, and units that have the potential to be
reorganized are referred to as "yellow" units.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 04/27/2005

[redacted] telephone number [redacted] was interviewed at the law offices of Maynard, Cooper, and Gale, 1901 6th Avenue North, Birmingham, Alabama. Attorney [redacted] was present during the interview. After being advised of the identity of the interviewing agent and the nature of the interview, [redacted] provided the following information:

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[redacted] PROTECTIVE LIFE FOUNDATION (FOUNDATION), which is funded with money from the PROTECTIVE LIFE CORPORATION (CORPORATION). The FOUNDATION was created in 1984 to support the community through charitable gifts. The FOUNDATION gives out about \$2.5 million in charitable gifts each year to a variety of organizations in Birmingham, Alabama and the UNITED WAY in Nashville, Tennessee. In 2004 the FOUNDATION provided a charitable gift to 135 different organizations; these organizations were all 501c's. The amount of the gifts ranged from \$500 to \$237,000.

[redacted] explained that the Executive Review Committee (Committee) decides which organizations receive gifts and how much of a gift they receive. The Committee is comprised of senior officers of the CORPORATION. The Committee mostly meets quarterly but may meet more often if urgent requests for charitable gifts are received. The Committee votes to make decisions. [redacted] described the process as democratic. [redacted] believed only a majority of Committee members must vote in favor of funding an organization in order for that to pass. [redacted] is not a member of the Committee and does not vote. [redacted] recommendations to the Committee.

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[redacted] advised that there is not a standard application which the organizations requesting funding must submit to the FOUNDATION. Criteria for requesting funds is on the FOUNDATION's website. In general an organization will submit a letter requesting funding to an employee of the CORPORATION or to [redacted]. The request is then reviewed by the Committee. Sometimes an organization will call the FOUNDATION to request funding and then send a letter. In the request for funding the organization will request a particular amount of money.

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Investigation on 04/27/2005 at Birmingham, Alabama

File # 46B-BH-51721-51

Date dictated 04/27/2005

by SA [redacted] *gal*

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46B-BH-51721

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Continuation of FD-302 of _____, On 04/27/2005, Page 2

_____ FOUNDATION
_____ The BOY SCOUTS (SCOUTS) received charitable gifts from the FOUNDATION every year that _____ has worked for the FOUNDATION. The SCOUTS received a \$60,000 grant from the FOUNDATION each year in 2002, 2003, and 2004. _____ did not remember how much the SCOUTS received in other years. _____ advised that the grant was for Hispanic programming. _____ advised that the SCOUTS will receive \$60,000 in 2005 for Hispanic programming. _____ believed the request for funding from the SCOUTS came to the FOUNDATION in a letter. _____ did not recall any details of information the SCOUTS submitted in their request for funding. _____ did not remember if the SCOUTS specified the number of Hispanic youths and adults who would be served by the grant. _____ did not remember if the SCOUTS specified the number of members in SCOUTS. _____ advised that she has spoken to different employees of the SCOUTS regarding funding and did not remember anyone's name.

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_____ advised that the FOUNDATION does not "pigeon hole" funding and require requests to be for a specific population of the community such as the Hispanic population. _____ advised that the cause and mission of the organization's request is what interests the FOUNDATION.

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_____ believed that the FOUNDATION is not interested in the number of members in an organization, but she pointed out that she was not part of the Committee. _____ advised that the number of people served by the charitable gift from the FOUNDATION as provided in the funding request is a factor in deciding funding but not the most significant. _____ advised that numbers have no bearing on the Committee's decision of whether or not to provide funding.

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_____ advised that the funded organizations send newsletters and letters of thanks to the FOUNDATION. _____ advised that there is not a structured program to follow-up on those organizations which received gifts. She advised that through a network of other professionals from other foundations and charities she has a good idea of how the money was used. The FOUNDATION's annual report and a list of organizations that received gifts are on their website.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 04/12/2005

An individual in a position to testify e-mailed the interviewing agent information. A copy of the e-mail has been placed in the files of the FBI. The individual advised that there was a 65% reduction in the number of units in the Arrowhead District of the GREATER ALABAMA COUNCIL of the BOY SCOUTS OF AMERICA being reported between now and January 2005.

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Investigation on 04/12/2005 at Birmingham, Alabama
 File # [REDACTED] 46H-BH-51721 -52 Date dictated 04/12/2005
 by SA [REDACTED]

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This document contains neither recommendations nor conclusions of the FBI. It is the property of the FBI and is loaned to your agency; it and its contents are not to be distributed outside your agency.

FBI - BIRMINGHAM

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 04/21/2005

[redacted] date of birth [redacted] social security account number [redacted] home telephone number [redacted] wife's cell phone number [redacted] home address [redacted] was interviewed at the Federal Bureau of Investigation, Birmingham, Alabama. After being advised of the identities of the interviewing agents and the nature of the interview, [redacted] provided the following information:

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[redacted] ago in [redacted] Anniston, Alabama. [redacted] and gave money to the program because he felt like it was his responsibility to help. He was mentored when he was younger. When asked, he became [redacted] He did not receive much information about being a [redacted] Someone asked him a question, and he started researching the job. He read literature and asked for things from the council.

[redacted] advised that while doing the research to better understand his job he looked at the number of units. The number of units did not make sense to him. He asked [redacted] about the number of units. [redacted] believes [redacted] lied to him when he said that the units were legitimate and he gave him excuses. [redacted] told [redacted] not to get involved "at this level," meaning he did not need to know. [redacted] was trying to understand how there were hundreds of units. [redacted] recognized that there was something wrong.

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[redacted] started hearing about LEARNING FOR LIFE (LFL) as an area to "manufacture numbers." He started hearing the words "phantom" and "ghost" units. [redacted]

[redacted] advised that only fifty percent of the units are legitimate. The size of the council was inflated.

[redacted] went to [redacted] who works for [redacted] in Anniston, Alabama, about the phantom units. [redacted] told him that everything was fine and that the council has been good. [redacted] continued to tell [redacted] over the next several months and tried to show [redacted] examples. [redacted] started to get [redacted] to see, but it was difficult to convince him.

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b7CInvestigation on 12/03/2004 at Birmingham, AlabamaFile # 46H-BH-51721-53 Date dictated 04/21/2005by SA [redacted]
SA [redacted]b6
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46H-BH-51721

Continuation of FD-302 of [redacted], On 12/03/2004, Page 2

[redacted] was the [redacted]

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[redacted] became nervous because he spent council money to increase enrollment. Council bills went unpaid, and the payroll of eight to ten employees could not be met. The council was broke. [redacted] contacted the national office. The regional office said that the council should merge with the Birmingham, Alabama council.

There was a merger meeting between the Birmingham and Anniston councils. At the meeting he realized that the merger was a done deal because of the way the professional scout employees acted; other people than [redacted] noticed this, too. The key to the merger was to get the Anniston board to accept the merger. The volunteers were bitter about the financial situation of the council. They decided to get rid of [redacted] he was promoted to [redacted] [redacted] advised that it is "scout tradition" to promote problem employees.

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[redacted] advised that the national office protects themselves well. He advised to "judge them by what they say rather than what they do." He advised to look at what their actions are geared toward.

[redacted] was [redacted] The new [redacted] was [redacted]

[redacted] Bad units were eliminated, and [redacted] was involved in this process. [redacted] advised that younger, paid professionals had taken names from tombstones in cemeteries to make units and assigned these units to schools. The schools did not know about the units assigned to them.

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[redacted] advised that paid professionals struggle to meet their high goals. The employees receive a performance appraisal called Critical Achievements (CA). There is a CA document that is signed by the individual being appraised. The employee and an executive agree on the CA. They are reviewed quarterly and graded at the end of the year with a numerical score. The pay structure is based on meeting these goals.

The Charter Organization Representative (COR) is a volunteer and voting member of the board. The Council Executive, an employee, is the Secretary to the board. [redacted] was [redacted] before the councils merged. Most COR's are unaware of their job and do not get involved much in voting for the new

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46H-BH-51721

Continuation of FD-302 of _____, On 12/03/2004, Page 3

executive board. Most COR's do not show up. There is a meeting on December 9, 2004 where the COR's will vote for the new Executive Board. Every legitimate committee of a chartering organization should have a COR. _____ guesses that twenty to thirty percent of the COR's are legitimate and that seventy percent are illegitimate or non-existent.

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_____ advised that there is a council website that you can go to and enter a zip code to find units. Twenty-two counties can be searched. The information on the website is current within the last two weeks. _____ advised that there is a document that shows numerous units registered. Verification of the units could be done by going to the volunteers to find out if they are involved in the unit. According to _____ there is some legitimate activity, possibly a paid program aide who drives out and conducts some sort of program. The program aides are part-time employees or contractors who are paid about \$10 per hour. Program aides report to an employee but not anyone in sales and marketing. The adults named on the document do not know that they are listed as volunteers.

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_____ advised that a parent or guardian is supposed to sign the Youth Application Form (Application) to register a child as a scout; this is a multi part form. The scout leader collects the Application and keeps a copy. All of the applications are kept at the local service center. A copy is sent to the Council office. _____ was not sure if the national office receives a copy.

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_____ advised that near the end of the month at the end of the quarter pressure is placed on employees by the executives to make them understand that their job depends upon membership numbers. The employees come up with a group. The District Executives (DE) give program aides Applications to complete. The Program Aides sign their names to the Applications. Under the charter they create their own structure, give a number, and enroll the kids.

_____ advised that _____

Dekalb County takes one-third of the paperwork and tries to do this, but Dekalb County has provided no program of any kind in 2004.

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_____ explained that GAC has a carefully architected structure, so people can say "I do not know; that is not my job."

46H-BH-51721

Continuation of FD-302 of [REDACTED], On 12/03/2004, Page 4

Professional employees make \$40,000 to \$60,000 a year; they are the people with power. DE's report to [REDACTED] is in charge of the store and the merchandise. [REDACTED] is in charge of the buildings and structures.

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[REDACTED] advised that DE's know that what they are doing is wrong. They keep doing what they are doing to keep their job. Accountability is based on a paper system that looks to be in order. If you look at the paper, the names will be fraudulent.

[REDACTED] advised that when an Application is submitted, \$10 is collected. A group applies for a charter. Names are run at the council. A paid council executive, probably the Field Director, is required by the national office to call to verify the charter is legitimate. The national office requires that a letter is mailed to the volunteer committee chairman to offer the assistance of the council. The national office requires that all signatures on the Applications are correct. [REDACTED] advised that there should be copies of the letters which were sent, and that there may be a form that goes with it.

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[REDACTED] advised that [REDACTED] moved to a different council, went to the regional office, and then quit scouting. [REDACTED] is now living in [REDACTED] never became a "top dog" because he would not "play the game."

[REDACTED] advised that the fraud lies in the chartering of hundreds of units by taking the same kids and applying their names somewhere else. The membership fee to join the first unit is \$10 but an additional registration of the same name to a different unit is \$1. [REDACTED] believes the council is spending \$4,000 to \$5,000 a year on registration fees to multi-register kids.

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[REDACTED] advised that a unit had total autonomy as long as the adult volunteer passed a background check. The unit can have whatever spirituality they wish, but cannot be atheist. The council has total autonomy from the national office on beliefs. The council can hire whoever they want. The only thing the national office can do is pull a charter. The regional office is in Atlanta, Georgia.

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[REDACTED] advised that the national office conducts a survey of the total available youth to determine how well a council is doing. The council is organized in a vertical structure. The lowest employee is three to four tiers below the Council Executive

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b7CContinuation of FD-302 of _____, On 12/03/2004, Page 5

Director. The Council Executive Director has a salary of \$230,000 a year but makes about \$300,000 a year with other available benefits.

_____ advised that he designed the merger of the councils. He considers this to have been a "foolish mistake." Ft. Payne, Alabama was cleaned-up because they knew _____ had documents supporting the existence of fraudulent units. Whenever

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_____ advised that there are three types of audits, and that two of these are conducted by the regional office. Wolfpack is an audit where a volunteer suspects something is wrong; this is a thorough audit. There is a routine audit where twenty percent of the units are chosen to audit. There is an internal audit where the DE's swap districts and audit each others. _____ has been told that the DE's protect each other. The DE's know that the units are manufactured. Some DE's have left the council.

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_____ is the _____ the board.
_____ is the _____ the board.
is _____ the board.

_____ special committee that is considered a rebellion group. This group is all over the council. In response to this group _____ is going to voting adults listed on paper as volunteers for the phantom units. _____ wants to offset the votes of the rebellion group.

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_____ did not know he was enrolled as a member of scouting.

_____ responsible for the Ft. Payne area. _____ is a paid professional. _____ brought new printouts to _____ told them not to show the printouts to _____ reshuffled all of the adult volunteers. _____ said that the council talked to all of the adult volunteers and that they are involved with the program. _____ told them that it was a clean program.

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_____ has a copy of the new phantom membership information. When _____ looked at them he could tell that they

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Continuation of FD-302 of _____, On 12/03/2004, Page 6

were a "hodge podge." [] advised that GAC does not want to lose youth count and therefore probably reshuffled the youth to lessen the number of units.

[] advised that the charter organizations are like stockholders. The COR is the voting shareholder. He has been given permission to review the list of COR's. [] is [] in Decatur, Alabama. [] has headed up a group that has filed a derivative stockholders suit. The group has an attorney and is filing a class action suit.

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[] advised that GAC is spending so much time perpetuating a "shell game." Individuals at GAC have panicked because the database is so "screwed up." He believes there are 65,000 youths, 1,000 units, and 20,000 adults on the membership roles of GAC. He described the shell game as being led by the DE's. He believes the DE's should go to the District Committee to confirm membership. He advised that the DE's manufacture the number of youths enrolled. The DE's pay the membership dues for the phony youths out of their own pocket in order to support the number of youths they claim are enrolled. He advised that GAC has spent so much money on the shell game that there is no money left. Gifts to GAC are down, and fundraisers are down. DE's get bonuses for their membership numbers.

[] advised that [] used to [] started his career with BSA in Anniston, Alabama. [] has worked for BSA in Montgomery, Alabama, New Orleans, Louisiana, and Dallas, Texas. In the fifteen years since [] the membership numbers have not been as high as when [] was there even though population has increased.

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[] advised that [] moved up to the [] position in the country in BSA, [] When [] was a DE in Anniston, [] was his boss. The membership numbers that [] made had helped [] get promoted. [] was lining himself up under [] to be the [] however [] through airport security. The bad publicity from the gun caused [] and his "regime," including [] to "fall." As a result, [] was moved from Dallas to Birmingham. In Texas, [] and his boss was []

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Continuation of FD-302 of _____, On 12/03/2004, Page 7

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_____ is a _____
_____ wife is _____ moved to _____
_____ was at the regional office.

_____ resigned from GAC in the middle of _____. He was _____ and had DE's working under him. _____ is a _____ year veteran of BSA. His wife is _____. He works as _____ for _____ in Pell City, Alabama. He lives in _____.

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The Anniston, Alabama GAC is shutting down and moving to Birmingham. _____ is _____ in Anniston. She has to manipulate membership numbers in the computer. She knows the "shell game." _____ asked _____ to remove some documents from the Anniston office. The office started to close on December 2, 2004 and will move on December 3 and 4, 2005. _____ advised that there is a dumpster next to the building in Anniston. He advised that the FOS pledge cards were going to be thrown away. The DE's in Anniston forged the FOS cards.

_____ advised that _____ works in the Birmingham GAC office "by protest." She lives in _____. She has worked for _____. She is _____ at GAC. She does what her boss tells her to do. Her boss is _____.

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_____ advised that another employee who's name he does not know retired in October 2004. _____

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Later this same day, _____ telephoned SA _____.
_____ He advised that there was no trash in the dumpster at the GAC office in Anniston, Alabama.

- 1 -

FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/08/2005

[redacted] was interviewed at his place of employment, the [redacted] Birmingham, Alabama. After being advised of the identity of the interviewing agent and the nature of the interview, [redacted] provided the following information:

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[redacted] recently located a charter and membership cards, which were sent to him in the mail. The documents were sent to him from the GREATER ALABAMA COUNCIL (GAC) of the BOY SCOUTS OF AMERICA (BSA).

The information was for [redacted] but [redacted] was only affiliated with a Troop. He advised that [redacted] did not exist and all the youth and adult members, who were listed on the documents for [redacted] were members of the Troop.

[redacted] advised that he spoke to [redacted] about the duplication.

[redacted] also advised that a document to renew financial assistance was included in the documents [redacted]. He advised that the Troop and the members of the Troop never received financial assistance.

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[redacted] gave the following documents to SA [redacted] which have been placed in the files of the FBI:

Postmarked envelope from GAC to [redacted]
Charter for [redacted]
Roster for [redacted]
Twelve membership cards
Funding Assistance Request form

Investigation on 06/07/2005 at Birmingham, Alabama

File # 46H-BH-51721-54 Date dictated 06/08/2005

by SA [redacted] *nyk*

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/13/2005

[redacted] was interviewed by telephone. After being advised of the identity of the interviewing agent and the nature of the interview, [redacted] provided the following information:

[redacted] advised that he was approached by GREATER ALABAMA COUNCIL (GAC) employee, [redacted] at a restaurant early in the week of June 6, 2005. [redacted] was [redacted] at GAC. [redacted] told [redacted] that [redacted] has hired an attorney, and that [redacted] attorney is calling the shots."

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On June 8, 2005, [redacted] called [redacted] [redacted] employed as [redacted] cell telephone number [redacted] [redacted] advised that [redacted] called his wife, [redacted] this morning, June 9, 2005. [redacted] advised that [redacted] wants to speak to the FBI. [redacted] quit at GAC one to two months ago. [redacted] works for [redacted] Trussville, Alabama, telephone number [redacted]

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[redacted] advised that [redacted] scout units at GAC were "bad ones," meaning the members were not legitimate. [redacted] advised that [redacted] worked for [redacted] at GAC. [redacted] advised that [redacted] and "his people" put fake scouting units on paper. [redacted] advised that "[redacted] will look the worst."

[redacted] works for GAC in the Huntsville, Alabama office. [redacted] advised that [redacted] is telling people that [redacted] is calling volunteers to "sell them insurance." [redacted] believes [redacted] is calling volunteers to discuss the fake scouting units.

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[redacted] a GAC employee, worked with [redacted] [redacted] used to work in the Anniston, Alabama office but now works in the Birmingham, Alabama office. [redacted] spoke to [redacted] around December 2004 or January 2005. [redacted] advised that [redacted] remembers GAC being two hundred kids short on the last day of the month. Scouting professionals went behind a closed door and were able to create the two hundred kids in a couple of hours to meet the goal.

Investigation on 06/09/2005 at Birmingham, Alabama (telephonically)

File # 46H-BH-51721-55 Date dictated 06/13/2005

by SA [redacted] *pat*

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/13/2005

[redacted] date of birth [redacted] social security account number [redacted] home address [redacted] home telephone [redacted] cell telephone [redacted] was interviewed at the Cracker Barrel restaurant, Trussville, Alabama, at his request. [redacted] was advised of the identities of the interviewing agents. [redacted] advised that he had spoken to an attorney prior to the interview. [redacted] asked to record the interview and was denied this request per FBI policy. After being advised of the nature of the interview, [redacted] provided the following information:

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[redacted] began working for the GREATER ALABAMA COUNCIL (GAC) of the BOY SCOUTS OF AMERICA (BSA) in [redacted] advised that he started as [redacted] in the Sequoyah area. [redacted] was promoted to [redacted] which was a jump of several levels in the hierarchy of GAC employment. [redacted] quit at GAC in [redacted] advised that he left GAC because of the "bad situation."

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[redacted] wanted units, whose membership fees were paid for by GAC, to be removed from the books. [redacted] advised that it is better to have traditional units, who paid for their own memberships, because the units are led by adults and more kids are brought into the program.

[redacted] wrote a letter, dated January 18, 2005, and gave it to [redacted] gave a copy of the letter to the interviewing agents. The letter has been placed in the files of the FBI. [redacted] wrote the letter because he spoke to an attorney who told him he needed a "cover your ass" letter. In the letter [redacted] advised of the situation at GAC when he arrived and during the time he worked at GAC. [redacted] who is handling the current audit at GAC, did not receive a copy of this letter. [redacted] believes [redacted] did not distribute or show the letter to anyone.

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[redacted] sent out his resume in March 2005 because he was blackballed from the group for the letter that he wrote. He had been at the management level at GAC since he was promoted to [redacted] on [redacted] After the wrote the letter he

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b7CInvestigation on 06/10/2005 at Trussville, AlabamaFile # 46H-BH-51721 -56Date dictated 06/13/2005by SA [redacted]
SA [redacted]b6
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Continuation of FD-302 of [REDACTED], On 06/10/2005, Page 2

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was excluded from management meetings. He advised that things went "downhill" after the letter.

[REDACTED] advised that when he first started at GAC he went to training in Texas. At the training BSA procedures were explained to him. According to the training DE's were to let the volunteers handle the re-chartering of troops. [REDACTED] was not a scout and relied on the training to learn his job. Following the training, around the years 2000 and 2001, he gave a volunteer in his district, [REDACTED] the charters for re-chartering. [REDACTED] came back to [REDACTED] and advised that the chartering organizations did not know anything about the units. [REDACTED] called the chartering organizations and was also told that they did not know anything about having a unit. [REDACTED] advised his bosses, [REDACTED] cell telephone number [REDACTED] and [REDACTED] of the false units. [REDACTED] superiors advised him that they would take care of the situation. The units were not re-chartered and were allowed to drop off of the books.

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Around the years 2002 through 2004, there was pressure from the top executives at GAC to enroll more kids in scouting. [REDACTED] advised that he went to the [REDACTED] Alabama School System to enroll Special Education students in Traditional Units. [REDACTED] in the Fort Payne School System was [REDACTED] Last Name Unknown (LNU), and [REDACTED] was [REDACTED] advised that [REDACTED] LNU knew what type of program GAC was agreeing to deliver to [REDACTED] believes that [REDACTED] LNU did not comprehend that the program was not LEARNING FOR LIFE (LFL). [REDACTED] advised that [REDACTED] LNU signed paperwork showing what type of program it was. [REDACTED] did not know anything about the scouting program.

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[REDACTED] advised that [REDACTED] "scripted" [REDACTED] on the remarks that he recently made to the media. [REDACTED] was reading to [REDACTED] cell telephone number [REDACTED] from a piece of paper. [REDACTED] did not understand the program that the school system and GAC had arranged. [REDACTED] advised that [REDACTED] was unaware of the agreements GAC had with [REDACTED] LNU. [REDACTED] advised that some of what [REDACTED] said was true and some of it was not true. [REDACTED] LNU almost lost their jobs over this situation. [REDACTED] took over [REDACTED] area when [REDACTED] was promoted to [REDACTED]

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Continuation of FD-302 of [REDACTED], On 06/10/2005, Page 3

The program for Traditional Units consisting of special education students included some cooking and also character education programs to help satisfy the school's ten minutes a day requirement. [REDACTED] advised that the program was not LFL because extra programs such as cooking were provided. The program took place in the schools, but the program aide running the program was not great. Sometimes the program aide did not show up to deliver the program. [REDACTED] advised that it was hard for him to run the programs because the program aides reported to [REDACTED] was [REDACTED] then. [REDACTED] would try to help the program aide set-up dates to go to the schools. Sometimes [REDACTED] helped the program aide deliver the programs. The program aide in [REDACTED] region was [REDACTED]

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[REDACTED] advised of where the "Does's" started. [REDACTED] advised that the school system gave GAC the first names of the special education students because it was against the law to classify the students. The school teachers advised that the students' last names should not be used. GAC used the last name "Doe" for all the students. [REDACTED] advised that this was all documented on paper at the school. The school wrote a note to the kids' parents, which had to be returned to the school, explaining that the kids would be members of scouting. The documentation that [REDACTED] referred to did not document that the name "Doe" would be used.

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[REDACTED] advised that he ran into [REDACTED] recently. [REDACTED] told [REDACTED] that he had spoken to the FBI. [REDACTED] advised that some people in scouting, who are like [REDACTED] are "out to get" [REDACTED] have been "clashing" for a long time.

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[REDACTED] advised that it normally takes a month to start a traditional scout unit. [REDACTED] advised that the procedures for starting a unit kept changing. The procedures could be one way and a different way six months later. [REDACTED] advised that the procedures were stiffer each time they changed. He advised that at the end of the year the procedures would change again making it easier to start a unit because the membership goals were due at the end of the year. [REDACTED] recalled at least one time being able to turn in just a list of names at the end of the year, which was easier than the normal procedures at that time. At that time, he was told that if he could get the list in, just to get it in. [REDACTED] believed scouting in any large city operated the same way.

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Continuation of FD-302 of [redacted], On 06/10/2005, Page 4

[redacted] advised that kids were falsely enrolled as scouts because of money. The more kids that GAC could claim were members of scouting, the more money GAC was able to get from government grants, the United Way, and public donations. For every scout that GAC enrolled, \$10.50 was sent to BSA national office. If the kid was not a legitimate member, GAC paid the \$10.50 enrollment fee. If membership goals were not met then no one was promoted. Scout employees who did not produce by increasing membership were fired.

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[redacted] was fired. [redacted] advised that being a scout employee was very stressful and was the most stressful job at which he had been employed. [redacted] was not aware of anyone receiving additional bonuses for increasing membership.

[redacted] advised that GAC claims to have had 28 or 29 years of continuous growth. No one at GAC cared about the quality of the scouting program; they only cared about the growth in membership.

[redacted] advised that grants were written for several different things such as buildings and scholarships. When [redacted] was [redacted] his name was on some grants, but he did not write the grants. [redacted] did not have anything to do with what was on the grants. [redacted] wrote the grants that [redacted] signed. [redacted] created the numbers that went on the grants using a formula and the number of kids he thought he could recruit. [redacted] had a lack of knowledge for writing grants and did not understand how to write grants.

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For example, there were ten special needs kids in a school. [redacted] wrote the grant to cover the cost of all ten kids going to camp even though all the kids would not go to camp. It is not possible to get ten out of ten kids to go to camp.

[redacted] advised that the grant money would be used to send kids to camp until ten kids eventually went to camp. The time to use the grant was just extended. The grant money went for what it was intended. [redacted] just wrote grants for the [redacted] Alabama area.

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[redacted] advised that his area, [redacted] was told to write grants from top scout executives at GAC. As [redacted] did not write any grants. He wrote requests to solicit private donations from corporations. On the letters that he wrote he used membership totals, which were given to him by his superiors. He used letters that were written before and submitted them.

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Continuation of FD-302 of [redacted], On 06/10/2005, Page 5

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[redacted] advised that [redacted] assists the [redacted] in writing proposals to the United Way. [redacted] also solicits major corporations for donations and conducts fund-raising activities like sporting clay events and golf tournaments. To date, no one has replaced [redacted] when he left [redacted] position.

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[redacted] recently began overseeing every grant request that the GAC sends out. The Field Directors used to sign off on grant requests. [redacted] did not recall GAC making any requests for matching funds.

[redacted] recalled two or three United Way requests that he participated in while [redacted]. The United Way's were in Florence, Alabama and northwest Alabama. [redacted] went with [redacted] to the United Way meetings and delivered the requests. [redacted] was not invited to the Birmingham, Alabama United Way meetings, nor did he see those requests. The money from a request for funds in Etowah, which was prepared in Fall 2004, would be coming to GAC now.

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As to whether or not grant money was used for scout registration, [redacted] advised that if they were not registered, GAC would have to pay for the registration. He would think that the grant would be worded this way, but he did not know.

[redacted] believes the membership totals used to request donations and grants were inflated. He advised that the total numbers for an area are used and those numbers have already been inflated on the inside of the council. The number used on the grant was therefore inflated. [redacted] advised that for some requests the total membership for the entire council was used but for grants specific to an area only the membership for that area was used. For example, in requesting \$500 to \$1,000 from a Wal-mart, only the membership in the area near that Wal-mart was used. [redacted] advised that the Bessemer, Alabama and the Birmingham, Alabama areas received a large amount of grant money.

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[redacted] advised that the membership numbers used to request funding were whatever DE's turned into the GAC. After the FBI investigation of GAC began [redacted] was instructed by the board of directors (board) to use different numbers, than what the DE's had turned in, in the letters that requested donations from corporations. The board said that the numbers that GAC was using to request funding were not correct. [redacted] representative

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Continuation of FD-302 of _____, On 06/10/2005, Page 6

for the board, said that the membership numbers had to be revised. Booklets, published for a sporting clay fund-raising event, that contained membership numbers, were to be thrown away; _____ believes these booklets may still be in the GAC office. GAC employees were verbally told not to use the booklets. At this point all documents to the United Way from GAC must first go through _____ was handed different membership numbers to use, and he does not know how the new numbers were determined.

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A year ago _____ used whatever membership numbers were on the membership report in funding requests. Either a secretary or _____ printed out the membership report and distributed it at regular meetings. _____ recalled that the membership report stated that there were between 58,000 to 65,000 kids in traditional scouting units. _____ estimated that when he started in 2000, about 20 to 45% of the kids registered as scouts were not really scouts because they had not signed up for scouting, paid their dues, or participated in scouting. _____ advised that over the years the situation got better.

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_____ realized there was a problem at GAC before an investigation began.

When _____ began as _____ he recognized that the membership numbers were "crazy." He let everyone know how he stood except for the top two scout executives because he was intimidated by them. _____ predecessor when he was _____ was _____ predecessor was _____ inherited the false

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_____ advised that he did not write his letter dated January 18, 2005 earlier because he did not want to cause problems with or for _____ advised that _____ stood up at a meeting and said that he was pressured into the false membership numbers.

_____ thinks that the recent drop in scout enrollment is just on paper. The scouts never really existed and were just taken off of the rolls. The troops that were false were not re-chartered. _____ advised that even the paperwork for good programs was being sent back for double and triple checks recently. Since about December 2004 or January 2005 a unit could not be started from a list of names. _____ did not deal with membership once he was promoted to _____ advised that the procedures had gotten "really tight" before he quit. _____ advised that the 10,000 kids who were dropped would not have even

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Continuation of FD-302 of _____, On 06/10/2005, Page 7

known that they were in scouting. The kids were only ever in scouting because a GAC employee signed them up.

_____ advised that _____ quit working at GAC and now works at _____, Alabama. _____ LNU and _____ quit working at GAC. _____ who had worked for GAC for about _____ years, quit. _____ cell telephone number _____ LNU, _____ have either sent out resumes to find new jobs or want to be transferred out of the Birmingham/ GAC region.

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_____ advised that he was not involved with minority kids due to the demographics of his geographic region. He advised that the United Way and grant providers liked to hear GAC say that they were serving minorities. He advised that the number of minority kids served by GAC should be shown on requests, but he did not know how that was done. Minority numbers were not specifically broken out on the grants that he was involved with; he did not know how the United Way proposal was worded. The requests showed, for example, that 20,000 minority kids would be served with the money. GAC needed to demonstrate that the scout program was offered to all kids because the more people you offer the program to the better that is for funding. _____ wrote the United Way requests.

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_____ advised that _____ cell telephone number _____ is an African-American, who has worked for GAC in the Birmingham area for about _____ years. The people in _____ district are mostly minorities. After the FBI investigation started, _____ spoke to _____ about problems with grant money in his district. The grant situation _____ told _____ about was specifically related to uniforms. There was a specific instance where _____ received grant money to buy uniforms for kids in his district. _____ was only allowed by top scout executives to spend a portion of the grant on uniforms. _____ described that in general he receives grant money for his district, but top scout executives at GAC do not allow the entire amount of the grant to be spent on the purpose for which it was intended. _____ has been told to stop spending the money for its intended purpose before the entire amount of the grant is used. The grant money is not held separate from other money at GAC. _____ advised that the money cannot be traced because of bad accounting. Theoretically, _____ requested \$50,000 for scout uniforms for Birmingham. _____ only spent \$30,000 when the top executives at GAC told him not to spend anymore of the money. The

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Continuation of FD-302 of _____, On 06/10/2005, Page 8

remaining \$20,000 stays in a general fund to pay for other things such as salaries. _____ had good intentions when he applied for the grants but was not allowed to follow through with the whole program at the direction of top scout executives. _____ was told by top scout executives that "that's enough of that program, move on."

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_____ at GAC is _____ LNU. _____ determine where money is put and instruct _____ LNU. _____ could also tell _____ LNU where to put the money.

Information had been wiped off of _____ computer at GAC three or four times. _____ helped _____ try to get the information back. There were times when information had been wiped off of _____ computer, and he was not able to get the information that he needed. _____ advised that on one occasion the boss left, and he was unable to access anything. Another time _____ was looking for some grants after the FBI had been there, and GAC had been told to pull everything.

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After the investigation began the top people at GAC began acting suspicious. _____ tried to be comical about the situation but, by doing so, was questioned about his involvement in the investigation by _____. _____ was "chewed out" by _____. _____ advised that the pressure on GAC employees comes from the top. _____ advised that there is no accountability. For example, the GAC employees were told "get me 50 kids" by the top scout executives.

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_____ in Maine.

Prior to accepting employment with GAC, _____ worked at _____ and an _____ is now _____ Trussville, Alabama, telephone number _____

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 02/25/2005

An individual in a position to testify provided the following information:

Individual advised that [] destroyed hard drives at the GREATER ALABAMA COUNCIL (GAC), BOYS SCOUTS OF AMERICA (BSA). The hard drives were thrown into a dumpster behind GAC. Information, including e-mail messages, on [] hard drive was lost.

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Individual advised that the GAC volunteer audit will begin March 15, 2005 and last for two weeks. Volunteers are still being selected to work on the audit. Individual is aware of [] [] being in contact with []


[] [] is [] in []



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| FBI - BIRMINGHAM | |

Investigation on 02/22/2005 at Birmingham, Alabama (telephonically)File # 46B-BH-51721-57 [] Date dictated 02/24/2005

by SA []

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Audit of Scout rolls disputed

Activist calls for proof of 1,000 black members

By S.A. REID
sereid@ajc.com

A civil rights activist is challenging the local Boy Scouts organization to prove it has more than 1,000 African-American boys involved in its inner-city Scouting programs.

"Ridiculous" is how Rainbow/PUSH Coalition's Joseph H. Beasley describes the 5,361 figure cited in an report on the results of an eight-month investigation into allegations that the Boy Scouts of America-Atlanta Area Council inflated black membership for fund-raising purposes.

"I'm not pleased with the audit," said Rainbow/PUSH Coalition's Southern regional director Sunday. "We maintain our position that if we have the roll call we have demanded they do, we would not come up with more than 500 Boy Scouts from the disadvantaged community."

In a letter to local Boy Scouts Chairman Tom Gay, Beasley suggests the number is grossly inflated and calls on the Atlanta Area Council to document participation in Operation First Class and Learning for Life programs.

Beasley said the council was exploiting the black boys by using the inflated membership numbers to raise money in their name.

Thousands of boys claimed

The council once claimed to have more than 15,000 involved with Operation First Class, an effort to increase Scouting opportunities for disadvantaged, inner-city boys.

Investigators with the law firm McKenna, Long & Aldridge, which produced the report released last week, found the number to be 5,361 based on council records. The report also put the number of youth involved with Learning for Life — a

classroom-based initiative that teaches social and life skills, positive values and character development — at 27,590.

"As a matter of fact, Mr. Gay, I challenge you to identify even 1,000 disadvantaged, inner-city Scouts served by your troops," Beasley wrote in the letter he delivered to the Scouts Cobb County headquarters Sunday. "Who are they? Where do their troops meet? Who are the Scout leaders? Let us all see the list. I put these questions in writing to Chief Scout Executive [David] Larkin a year ago and still have no answer."

Critic: Auditors were misled

Beasley also was critical of how the report was produced, accusing council staff of supervising some of the investigative interviews and providing auditors with a flawed definition of "Boy Scout" that skewed the count. For example, Beasley said the organization counts as members boys who attend only one meeting.

He took issue with the report's finding that the membership inflation wasn't motivated by a desire to increase charitable donations to the organization. He suggested that the investigation wasn't independent and was too narrow in scope.

Larkin resigned last week after the investigation confirmed allegations of membership inflation.

Gay, the president of the council's board of trustees, told The Associated Press on Sunday that the eight staff members who were involved in the false registrations will be held accountable.

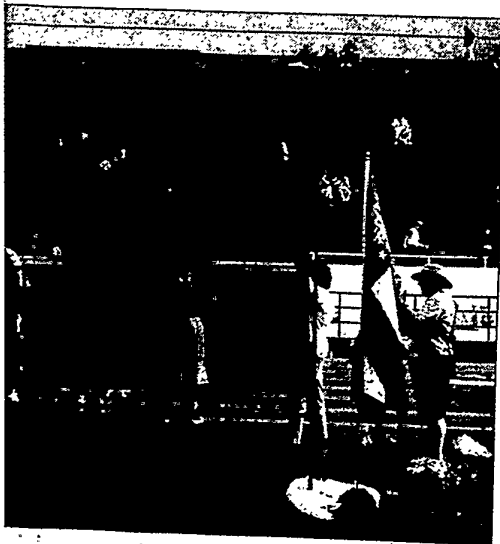
None has been suspended but each person will be investigated and will be subject to "retraining, counseling and disciplining," Gay said.

The council also is working on other improvements, including making the council's membership records subject to routine audits. The council will create a committee of volunteers and staff to improve the Operation First Class program.

"We've had a lot of success in that program but we also have made mistakes in that program. We are absolutely committed to be successful in that program," he told the AP.



Photos by JOEY IVANSCO / Staff



464-EH-51721-58

Report To
A
Special Committee of the Executive Board of Directors
Of
The Atlanta Area Council
Of
The Boy Scouts Of America
May 31, 2005

SUBMITTED BY:
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McKenna Long & Aldridge LLP

(X) *galt*

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I. ENGAGEMENT OF INDEPENDENT COUNSEL

In September and October 2004, a series of written allegations were made and media stories occurred regarding Operation First Class (also referred to as "OFC"), a scouting program for disadvantaged rural and inner-city youth operated by the Atlanta Area Council of the Boy Scouts of America (also referred to as the "Council").¹ In response, the Executive Committee of the Council formed a special independent committee of the Executive Committee (the "Special Committee") to investigate the allegations and make recommendations to the Council with regard to the allegations. On October 19, 2004, the Special Committee retained as independent counsel, Edgar H. Sims, Jr. and Jesse J. Spikes, partners at the law firm of McKenna Long & Aldridge LLP ("McKenna Long"), to conduct an independent investigation of the allegations and report to the Special Committee and the Council their findings and any recommendations arising out of the independent investigation.

The engagement of independent counsel contains the following provisions:

In connection with the Engagement, the Council has determined that a totally independent and impartial investigation is in its best interest and the Council retains [McKenna Long] for this sole purpose. [McKenna Long] will not act as an advocate for the Council, but have been specifically directed to conduct an independent and impartial investigation on behalf of the Council.

To facilitate the Engagement, [the Council] agree[s] that (i) [McKenna Long] will control all aspects of the investigation subject only to the scope of the Engagement, and (ii) the Council will cooperate with [McKenna Long] in facilitating the investigation. In this regard, [the Council] agrees to make [its] employees, affiliates, agents, and records (in whatever form) available to [McKenna Long] to facilitate the Engagement.

II. SCOPE OF INQUIRY

The allegations raised three core issues which constitute the scope of this independent investigation:²

¹ The OFC program is and always has been a "need based" and not an "ethnicity or race-based" program. While it was established initially to extend the benefits of the Scouting Programs to disadvantaged "Inner/Central City Atlanta" youths, it has since been expanded to cover the entire territory served by the Council.

² The allegations were made by Mr. Joseph H. Beasley, Mr. Bob Kent and others in open letters to various scout groups and in the media. A copy of Mr. Beasley's letter of September 15, 2004 and L. Tom Gay's response of October 1, 2004 are attached. The allegations also involved other issues, such as the relative cost-effectiveness of various alternative inner-city youth programs, which are not the subject of this Report.

- (i) Whether contributions made to benefit the Council's Operation First Class program for disadvantaged inner-city youths were in fact utilized for such program;
- (ii) Whether the Council made accurate public statements with respect to the number of youths served by traditional scouting (e.g., Cub Scout Packs, Boy Scout Troops, Varsity Scout Teams, Venturing Crews and Sea Scouts) and the Learning for Life Program;³ and
- (iii) Whether the Council made accurate public statements with respect to the number of youths served by the Operation First Class program.

The focus of our investigation was not the number of minority participants in the Council's programs. For example, while the majority of OFC scouts are minorities, there are OFC scouts who are not minorities and conversely, there are traditional scouts who are minorities. In addition, as discussed in Section V. 2.3, page 13, the Learning for Life program has approximately 24,700 minority participants.

III. INVESTIGATION

1. Investigative Team.

We determined that forensic accounting expertise was required and engaged the firm of Habib, Arogeti & Wynne, LLP, certified public accountants ("HA&W"), to assist with data collection and analysis with respect to certain aspects of the investigation. The HA&W team that worked on this matter directly and assisted with the preparation of this report includes Messrs. Jonathan L. Miller, CPA, former Chairman of the Georgia Board of Accountancy and immediate past Managing Partner/Chief Executive Officer of HA&W, Baron J. Frankel, CPA, JD, CVA and directing partner of HA&W's Litigation Support Services Group, and Michael A. Himmelstein, CPA and senior manager in HA&W's Litigation Support Services Group, along with staff level accountants of HA&W.

2. Independence.

In an independent investigation, it is of critical importance that the investigative team be independent of the subject of the inquiry.

Neither independent counsel individually, nor the McKenna Long law firm, nor any individual partner of the McKenna Long law firm represents the Council or is involved in any leadership role in the Council.

³ Collectively referred to as the "Scouting Programs."

HA&W does not provide professional services to the Council. Neither HA&W nor any of the HA&W personnel involved in this investigation on behalf of HA&W has undertaken any leadership role in the Council.

3. Interviews.

We conducted 40 in depth in person interviews with individuals both inside the Council and outside the Council. Some individuals were interviewed on more than one occasion.

In addition to the interviews conducted, we made extensive in-person, telephone and written contact with numerous persons, both within and outside the Council, during the course of conducting the testing/sampling activities discussed in this Report.

4. Documents.

We were given free access to all files of the Council and were provided documents by sources outside the Council. We reviewed thousands of documents consisting of financial records, marketing materials, Scouting Program materials, Scouting Program membership counts – including internally prepared District Total Reports (sometimes referred to as a “DTR”), comparable reports on the OFC program, audited financial statements of the Council reported on by the accounting firm of Smith & Howard, P.C., the Council’s regular independent auditors, the independent auditors’ work papers, news articles, reports related to prior reviews, studies and investigations of the operations and activities of the Council, and various aspects of the scouting programs in general.

5. Testing/Sampling.

To determine contributions, expenditures and membership levels, we determined that a number of analytical procedures and certain testing and sampling were required. Analytical procedures and testing began with interviews of individuals at all levels of the Council’s administration to ascertain the duties of the various personnel of the Council and the procedures utilized in the registering and re-registering of youth as scouts and in the chartering and re-chartering of scouting units and Learning for Life (sometimes referred to as “LFL”) schools. In addition, from the interviews, we were able to determine the prescribed flow of paperwork and funds from the participant level to the Council and the flow of paperwork between participating schools and the Council relative to the LFL program.

We developed a directive for Council personnel to confirm the numbers of units and participants for the traditional scouting programs. At the same time, using financial data, we developed estimates for the numbers of active scouts and scouting participants for 2004. Those estimates were compared to the Council’s confirmed counts and followed by a statistically significant sampling of the units which the Council’s records showed as active to arrive at an independent confirmation of the numbers of units and participants. The independent

confirmation process involved both direct conversations with heads of sponsoring organizations⁴ and written correspondence where direct conversations were not held.

We held discussions with members of Smith and Howard, P.C. Their work papers were reviewed along with the 2003 audited financial statements. Smith and Howard's scope of services did not include auditing the membership numbers.

Interviews and testing also focused on the contributions and disbursements of the Council as related to the OFC program. Emphasis was placed on comparing the contributions to the OFC program with the disbursements by the Council as related to the OFC program.

IV. TRADITIONAL SCOUTING AND THE EMERGENCE OF THE OPERATION FIRST CLASS PROGRAM

1. Traditional Scouting Programs.

The traditional scouting model is a membership-driven, self-funded activity that relies on a core of dedicated volunteers, mostly parents, to implement the Scouting Programs through separate, independent community-based scouting units. In the traditional scouting model, one of the scouting staff – a District Executive, District Director or Area Field Director – contacts a community “sponsoring” or “chartering” organization – e.g., a local church, school or other community-based group (“sponsoring organization”) – to form a Scouting Program unit (i.e., Cub Scout Pack, Boy Scout Troop, Varsity Scout Team, Venturing Crew and Sea Scouts). A group of scouts for whom a sponsoring organization takes responsibility. The scouting staff works with the sponsoring organization to recruit an adequate number of volunteers to organize, implement and supervise the activities of the unit (e.g., periodic meetings, camping trips, etc.) and to recruit an adequate number of young people (at least 5) to form a unit. Once this is accomplished, the sponsoring organization makes an application to the Council and the unit is “chartered” and allowed to operate one of the Scouting Programs. In the traditional scouting model, a boy becomes a scout by submitting a completed membership application, along with the applicable membership fee, to the unit leader for onward dispatch to the local area council. This cost of membership, as well as the cost of meetings, camping trips and other activities undertaken by the unit, is covered in their entirety either by direct payments by the participants or funds generated through fundraising activities undertaken by the unit (e.g., popcorn sales, direct fundraising appeals, other donations, etc.).

The enrolling individual must complete a membership application that requires the signature of the parent or guardian. With the application, the enrolling individual (or the sponsoring organization on behalf of the individual) must submit a payment of the annual registration fee of ten dollars (\$10) or such smaller amount as may be applicable at the time of

⁴ Every scouting unit must be sponsored by an organization, usually a school, church, neighborhood club or other non-profit entity.

enrollment.⁵ In subsequent years, a ten dollar (\$10) fee is required annually for renewal of membership. The membership fees and forms for the members of a scouting unit are submitted to the Council, which forwards the registration fees to the National Office of the Boy Scouts of America (the "National Office").

The sponsoring organization for a scouting unit is also required to provide completed paperwork to the Council, a twenty dollar (\$20) chartering fee for the National Office, and a roster of participating scouts. A representative of the sponsoring organization is required to sign the unit's application/renewal paperwork.

Because in the traditional scouting model the scout or the scout's family pays the applicable annual registration or re-registration fee, this payment provides an objective indication that the scout has an intent to participate in scouting for the upcoming year. Likewise, the payment of the annual chartering or re-chartering fee of twenty dollars (\$20) per unit by the sponsoring organization provides an objective indication that the sponsoring organization intends to support the unit during the upcoming year. In most cases, a traditional scout participates in one or more scouting activities during the subsequent year. However, in a minority of cases, the scout does not participate throughout the full year. The reasons for this attrition appear to be numerous, including a move to another location, a change or failure in the unit's leadership or sponsorship, a lack of interest in scouting, a feeling of "outgrowing" scouting as youth get older and the pull of sports, social life and other competing activities.⁶

2. Emergence of the Operation First Class Program.

Because the allegations involved the OFC program, a brief history of this program is useful. In the late 1980s, the leadership of the Council became concerned that the Scouting Programs were not successful among disadvantaged inner-city youth who could benefit significantly from the Scouting Programs. There was a growing realization that the financially self-supporting, volunteer-driven traditional scouting model did not work in disadvantaged inner-city neighborhoods where both financial support and volunteer human resources were less readily available. As a result, the Council engaged McKinsey & Company to study this issue and make recommendations regarding what might be done to make scouting more widely available and effective among disadvantaged inner-city youths. The result was a May 31, 1991 report by McKinsey & Company entitled "Developing An Atlanta Area Council Strategy Pilot Project for the Central City."

Pursuant to the findings and recommendations made in the McKinsey report, the Operation First Class program was established by the Council in 1991 as a new and, hopefully,

⁵ If registration or re-registration takes place in a month other than January, the \$10 annual fee is pro rated for the number of months remaining in the year. For example, the fee would be \$5 for a July registration or \$8.33 for a February registration.

⁶ We confirmed a 30% attrition rate in the Atlanta Area Council in traditional scouting units. In other words, for 100 youth that enroll during a year, there will be 30 that will not be active or participate in scouting activities by the end of the year.

more effective way to extend the benefits of scouting to disadvantaged inner-city youth. The focus of the program was the removal of the financial and human resource barriers that stood between disadvantaged inner-city youth and the traditional scouting model.

The core of the OFC program consisted of the Council providing to the sponsoring organization, to the scouting unit and to the individual scouts within the unit the financial and personnel support required to operate a successful scouting unit.

The financial support consisted of payments for all or a portion of the costs normally borne by the scout or unit such as the annual \$10 per scout registration or re-registration fee, the \$20 per unit chartering or re-chartering fee, uniforms, badges, books, supplies, publications, food, transportation, liability and accident insurance, weekend camporees and summer camps.

Personnel support for OFC program scouts and units begins with the Neighborhood Executive, a position created by the Council specifically to provide the support for scouts and units that volunteers provide in traditional scouting. As with traditional scouting units, OFC program scouting units also benefit from the support of the District Executives and District Directors in recruiting sponsoring organizations, volunteers and potential scouts as well as training and program support for OFC units. In addition, OFC assisted units received the support of the Council's other professional staff as described below.

3. The Council's Professional Scouting Staff.

In traditional scouting, volunteers contribute the time and finances necessary to operate scouting units with paid staff providing necessary training and support to the volunteers. Volunteers also contribute time and finances at the District, Area and Council levels. At the Council level, volunteers provide membership for the Council's Executive Board.

At the same time, the Council has paid staff who operate and administer the Scouting Programs on an ongoing basis. The paid staff of the Council is comprised of the following:

- (i) Scout Executive. The Scout Executive operates as the CEO of the Council. The Scout Executive is responsible for the day-to-day operations of the Council and the supervision of all of the employees of the Council. The duties of the Scout Executive, as set forth in the Council charter, include:

The Scout Executive shall be the chief executive officer of the corporation and shall have general direction over the administrative work of the corporation, subject to the authority and direction of the executive board.

* * *

The Scout Executive shall be responsible for the administration of the Scouting program within the territory of the corporation and for making effective within such territory the policies and programs of the corporation in accordance with the policies of the Boy Scouts of America as from time to time announced by it.

The Scout Executive shall be responsible for the preparation and keeping of such records as will make possible the corporation's application for renewal of its charter. The Scout executive shall submit a report at each meeting of the executive board relative to the work of the corporation and to the status of the Scouting movement throughout the territory of the corporation, inviting attention to matters of particular interest and informing the executive board concerning any problems of which the executive board shall be advised, together with recommendations and suggestions for the good of the movement requiring action by the executive board.⁷

During 2004, the Scout Executive had three direct reports: the Director of Support Services,⁸ the Director of Finance Services⁹ and the Director of Field Services (sometimes referred to as the "DFS").

- (ii) Director of Field Services. The DFS serves as chief operating officer for the Council, reports directly to the Scout Executive and is specifically responsible for effective District operations. Responsibilities of the DFS include insuring adequate volunteer support, membership growth and development, sponsoring organization relationships, sustaining membership enrollment within district operations, personnel recruitment, promotion of national activities and career path guidance and training for field staff personnel. The DFS supervises two or more Area Field Directors.
- (iii) Area Field Directors. Area Field Directors report to the DFS and supervise the District Directors and District Executives in the districts that fall within their respective areas. The Area Field Directors are responsible for effective district operation, including the supervision of District Directors and District Executives, manpower recruitment, training, sponsoring organization relationships, membership growth, program enrichment, friends of scouting, and quality control through management. They are also required to maintain the records required to document the facts of the program. During the relevant period, there were three or more areas into which the scouting districts of the Council were organized.

⁷ Council Bylaws, Section 6.

⁸ The Director of Support Services and his staff are responsible for bringing the full resources of the Council, including volunteers, to support the Field Director and field staff to "bring an increasingly better Scouting program to a larger number of boys...."

⁹ The Director of Finance Services and his staff are "responsible for developing an effective program for funding the council, maintaining the council's fund raising records, [and] working with the council,... volunteers and staff in the area of finance."

During 2004, there were three areas into which the scouting districts of the Council were organized.

- (iv) District Directors. District Directors exist only in Districts where there is more than one staff member serving the District. The District Directors report to Area Field Directors and, in addition to providing the same services as a District Executive set forth below, also supervise the other staff members in the District.
- (v) District Executives. District Executives report to the District Director or, in a District with only one staff member, to the Area Field Director. District Executives recruit sponsoring organizations, adult volunteers and youth to participate in the Scouting Programs. They assist in the formation of scouting program units, provide initial training for sponsoring organizations and the volunteers who operate a unit and provide continuing training, support and supervision to the unit. District Executives are specifically required to "make an annual visit to the head of sponsoring organizations to review unit leadership, program quality and to renew the partnership agreement."¹⁰
- (vi) Neighborhood Executives. Neighborhood Executives provide the support for OFC units that would normally be provided by volunteers in traditional scouting model units. They provide direct program leadership as a cubmaster or scoutmaster to OFC program scouting units in order to maintain viable and effective programs. Neighborhood Executives, unlike the other scouting staff listed above, bear no responsibility for the recruitment of either sponsoring organizations or participants in the Scouting Programs. However, certain of the Neighborhood Executives did report having participated in such recruitment activities when requested by the District Executives to whom they reported.

V. FINDINGS

We were asked to specifically examine: (i) the use of Operation First Class contributions, (ii) the number of youth served by traditional scouting and Learning for Life programs and (iii) the number of youth served by the Operation First Class program. Our findings on each question are set forth below.

1. Use of OFC Program Funds.

As part of our engagement, we were asked to determine whether contributions raised to benefit the OFC program were utilized for the OFC program. In this connection, we reviewed data relating to specific accounts of contributions and expenses on the books of the Council that related to the OFC program. During the entire period, the Council kept separate accounts that reflected all OFC contributions and all expenditures made on behalf of the OFC program.

¹⁰ Council job description for District Directors.

1.1 OFC Program Contributions.

Upon the establishment of the OFC program in 1991, the Council instituted a separate and distinct fundraising campaign specifically for the benefit of the OFC program. The Council's records indicate that this initial campaign resulted in contributions in the amount of \$976,688, and that a second, more extensive fundraising campaign the Council conducted specifically for the benefit of the OFC program in 1995 resulted in contributions of \$2,433,004.

After 1995, the Council conducted no separate fundraising campaigns specifically for the benefit of the OFC program, but the Council has received the following contributions designated for the OFC program:

- (i) during the years 1992 through 1999, inclusive, the Council received contributions from the United Way in the amount of \$507,632; and
- (ii) in 2003, the Council received a contribution from Home Depot in the amount of \$12,500.

Finally, during the period from 1995 to 2000 the Council also received investment income from OFC program contributions in the amount of \$287,679.

Thus, the Council's financial records indicate that during the period commencing upon the establishment of the program in 1991 through 2004, the total contributions and investment income received by the Council specifically earmarked for the OFC program ("OFC Contributions") totaled \$4,217,503.¹¹

1.2 OFC Program Expenditures.

Consistent with the goals of the OFC program to provide scouting staff to replace volunteers and to pay expenditures for OFC units that would otherwise be out-of-pocket expenses paid by the scouts themselves or funded by fundraising efforts in traditional scouting units, the Council's financial records reflected OFC expenditures in two categories: (i) personnel expenditures; and (ii) financial assistance and other expenditures.

a. Personnel Expenditures.

Direct expenses on behalf of the OFC program in the form of compensation and benefits¹² for professional and clerical staff during the period 1991 through 2004 amounted to \$4,301,144. Not included in this total is any allocation of the salaries and related costs and benefits of the Scout Executive or the Directors of Finance Services or Support Services or any

¹¹ The term "OFC Contributions" includes contributions plus income earned from contributions to the OFC program.

¹² Including applicable payroll taxes.

of their staff, or the Director of Field Services. Included in this total are the personnel expenses for the following personnel:

- The Assistant Director of Field Services, a position created specifically to spend full time running the Operation First Class program with no duties outside the OFC program.
- One full-time clerical position to support the Assistant Director of Field Services and the other staff working on the OFC program.
- Neighborhood Executives, who spent all of their time working as substitute volunteers for OFC program assisted units.
- Two District Executives were included in the cost of the OFC program. There were some Districts, such as West Atlanta (55% OFC units) and East Atlanta (67%) in which a majority of the units were OFC program assisted units and were served by both a District Executive and a District Director so that four scouting staff served these OFC units. Other Districts, such as South Atlanta (40%) and Soapstone Ridge (34%) also had a significant number of OFC program assisted units. However, the personnel expenses of only two District Executives were allocated to the OFC program. We found this under-allocation of staff time to be a reasonable allocation of the actual time spent by District Executives in support of the OFC program assisted program.
- One Area Field Director was allocated to the OFC program. From our interviews and our review of the OFC records, we confirmed that the three Area Field Directors during 2003 and 2004 spent a minimum of 90%, 20% and 5%, respectively, on the OFC program. As a result, we found the allocation of one Field Area Director to be reasonable based on the actual amount of time spent by Area Field Directors on OFC units.

Based on our investigation, we concluded that the overall allocation of personnel expenses going back to the inception of the OFC program is consistent with the actual time spent on the OFC program and that the inflation of membership numbers found by us as set forth in Section V.3. of this Report did not increase personnel expenditures.

b. Financial Assistance and Other Expenditures.

Financial assistance and other expenditures for the OFC program included expenditures for registration fees for scouts, chartering fees for units, uniforms and badges, Boy's Life, Scout Handbooks and other publications, food, supplies, transportation, summer camp and weekend camping trips, accident and liability insurance and costs of a newsletter specifically for inner-city youth published from 1995 to 1998. Not allocated to the OFC program were overhead items such as rent, utilities, telephone, advertising, general insurance, maintenance and repairs, office supplies, postage, professional (legal and accounting) fees and licenses.

With regard to the financial support of the OFC program, the Council's accounting records contain adequate backup to give reasonable assurance that such funds were properly expended with one exception: the expenditure of OFC funds by the Council for the registration of individual scouts and the chartering of OFC assisted units, which expenditures were made by the Council to the National Office. Because of the overstatement of the number of OFC scouts and OFC units found by us as more fully set forth in Section V.3. of this Report, in our opinion the Council paid \$256,544 in excess registration and chartering fees for OFC scouts and units to the National Office during the period 1991 to 2004.¹³ As a result, this amount was not included by us in the total of expenditures validly made by the Council for the OFC program.

Accordingly, the amount of financial assistance and other expenditures validly expended on the OFC program during the period 1991 to 2004 amounted to \$2,126,145.

1.3 Conclusion.

The Council received OFC Contributions in the amount of \$4,217,503 and validly expended a total of \$6,427,289 in connection with the OFC Program since its inception in 1991. Accordingly, during the period 1991 to 2004, inclusive, the Council has not only expended all of the OFC Contributions on OFC expenditures, but has expended from its general funds an additional \$2,209,786 more on OFC Program expenditures than it received in OFC Contributions.

Therefore, in our opinion no OFC Contributions received from any donor were misappropriated or used for any purpose other than OFC programs for which they were intended.

2. Accuracy of Statements Regarding Traditional Scouting and Learning For Life Programs.

2.1 Public Statements Regarding Membership in traditional scouting units and Learning for Life programs.

We have reviewed the publications, brochures, programs and promotional materials used in connection with fundraising, applications for grants and other contributions and correspondence in connection with soliciting contributions from specific donors, collectively referred to as "Council Public Statements." We reviewed Council Public Statements regarding (i) the youth served in traditional scouting programs of the Council, (ii) the number of youth served in the OFC program (the subject of Section V.3., *supra*) and (iii) the number of youth served in the Learning for Life program.¹⁴ We found no public statements as to the number of youth served in traditional scouting units.

¹³ In addition to the information set forth in Section VI.3., *infra*, this conclusion was based upon the interviews with Council staff personnel, volunteers, the 2003 and 2004 financial and membership records and the history of unusual growth of OFC funded memberships beginning in 1995.

¹⁴ Learning for Life is a school-based program. See Section V.3.3. p 14.

At the outset, the question arose as to what objective standard to apply to measure the number of "youth served" by the Council's programs since the records of the Council contain no such category. Upon examination of the Council's records, it was observed that the total number of scouts varied from month to month, so that no single monthly total would be accurate. We concluded that the most accurate objective standard of youth served would be the number of youth validly registered during the year. To be validly registered, a youth would have had to attend at least one meeting, completed an application form and paid an annual registration fee. Accordingly, we utilized the number of validly registered youth as the measure of the number of youth served by the Council. This measure is also consistent with the reports forwarded by the Council to the National Office.

2.2 Traditional Scouting Membership.

The number of traditional scouts registered on the records of the Council for 2004 was 35,673.

The following external tests were used by us to confirm these traditional, paid scouting membership numbers.¹⁵ First, the number of paid memberships was estimated by dividing the total membership fees received by the Council during 2004 by a formulated average membership fee that was calculated using an enrollment fee schedule the Council provided. By comparing that calculated average fee with the Council's total cash receipts from membership during 2004, we were able to estimate the number of traditional paid scouting participants for the year, which includes both adult participants and youth participants. From this total, we were able to estimate the number of paid scouts for 2004 by subtracting the number of paid adult participants and comparing the resulting number of paid traditional scouts to the Council's manual counts, described below, and the DTRs for December 2004.¹⁶

We also contacted approximately twelve traditional scouting units as a test sample for the comparing the units' self-proclaimed membership numbers with those reported by the Council for those units.

Internally, each of the District Executives was given the DTR that corresponded to his/her district and instructed to contact the unit leader of each of the units for which he/she was responsible and confirm: (i) the status of the particular unit and (ii) how many scouts participated in the unit during 2004. The District Executives were directed to confirm active membership with each of their unit leaders. The District Executives were made aware that we would be simultaneously performing independent confirmations with some units.

Based on our investigation, the number of validly registered youth in traditional scouting programs during 2004 was 35,633, which does not materially differ from the 35,673 youth listed as registered on the records of the Council.

¹⁵ All calculations were made as of December 31, 2004.

¹⁶ Adult volunteers also pay an annual \$10 registration fee to participate in scouting.

2.3 Learning For Life Programs Participation.

With regard to the Learning for Life program, a survey of the Council's public statements during the 2002 — 2004 period indicates that the number of "youth served" or "participants" varied from "over 23,000" to "over 27,000."

Learning for Life is a school-based program. The Council and participating schools enter into a contract under which the Council supplies curriculum and training materials to be used in the contracting schools' classrooms. The Council supplies the materials based upon forms submitted by the schools that indicate the number of students who will be taught the Learning for Life curriculum. The schools do not disclose the students' names to the Council and the program is totally funded by the Council through general donations.

We reviewed each of the agreements between the Council and the schools participating in the Learning for Life program. In our review of these agreements, we focused on the number of students specified as being Learning for Life participants and checked to see if the authorizing signature for the participating school appeared appropriate. Working from the DTRs, we analyzed the number of students potentially participating in Learning for Life at schools where the program was being supplied by the Council. Those numbers were compared to the numbers of participants on the agreements. This analysis of the Learning for Life program showed 27,590 participants in 209 Groups. We tested a statistically significant sample of 52 or 25% of the Groups which included 19,256 or 70% of the participants. We verified participation by contacting the school sponsor or by reviewing public information regarding the school.¹⁷

Based on our investigation, the number of youth participating in the Learning for Life program during 2004 was 27,590, which is consistent with the Council's public statements that more "than 27,000 youth" are served by or participate in the Learning for Life program.

3. Accuracy of Statements Regarding OFC Program Participants.

3.1 Council Public Statements.

In Council Public Statements¹⁸ during the 2002-2004 period, the Council represented that over 14,000 to 15,000 youth were served by Operation First Class.¹⁹

¹⁷ In the course of our testing, we found that 89.27% of the population surveyed was minority. Applying this percentage to the entire population results in our estimate that 24,718 minority participants are being served in the Learning for Life program.

¹⁸ We reviewed Council Public Statements from 1999 - 2004.

¹⁹ For example, a brochure utilized in connection with the 2004 Metro Classic Golf Tournament held on June 7, 2004, in listing the Council's "Barometers of Success", stated: "Over 15,000 at/risk youth served through Operation First Class." Similarly, when independent counsel visited the Council's volunteer service center on November 23, 2004, we observed a brochure made available to the public listing among the achievements of the Council "over 14,000 at risk youth served through Operation First Class."

3.2 Council Records.

During 2004, the records of the Council listed 10,238 youth in 482 scouting units as being registered Operation First Class scouts. Thus, at the outset, the public statements by the Council regarding the number of OFC scouts were overstated even when measured against the numbers of OFC program scouts carried on the records of the Council (the accuracy of the Council's actual OFC membership numbers is discussed in detail below).

During the course of our inquiry, we were not able to determine with certainty the reason for this overstatement. No one person appears to have ever made a specific determination that the number of OFC scouts served was "over 14,000." Instead, the number appears to have arisen from an estimate of the number of minorities in the Council's scouting programs, by a former Director of Finance Services, which estimate was requested in the past by one or more donors, since scouting records do not require that youth register by race. This number was then copied by those preparing brochures into the number of "inner-city youth served" which in subsequent materials was stated as the number of "disadvantaged" or "inner-city youth served" by Operation First Class. This statement was in turn repeated over a two to three year period in various Council Public Statements.

3.3 Determination of Operation First Class Membership.

In determining valid registration for OFC membership, the receipt of a registration fee is not a valid test of total membership as it is in traditional scouting, since the registration payment is provided by the Council itself, not the individual scout. Accordingly, it was necessary to look to other independent means to determine the number of validly registered OFC scouts.

To test the validity of the number of OFC program scouts and units appearing on the records of the Council, we used two approaches: (i) a supervised Council staff survey in January, 2005 of the actual status of OFC units as of December 31, 2004; and (ii) a statistically significant sample taken by us of 68 of the 482 listed OFC units containing 4,863 OFC scouts of the 10,238 listed as members on the records of the Council.

3.4 Council Staff Survey.

Each of the District Executives was given the records of all units in his or her district and was instructed to contact the unit leader of each of the units for which he/she was responsible and confirm the status of the particular unit and determine how many of the listed scouts actually participated as of December 31, 2004, regardless of the number of scouts or units that appeared on the records of the Council records. The District executives were made aware that we would be simultaneously performing independent confirmations of selected units.

The results of this internal staff survey indicated that only 270 of the 482 listed OFC units were active at the end of 2004 and that only 3,783 of the 10,238 listed OFC program scouts were active participants as of December 31, 2004.

In reviewing the results of the internal staff survey in instances where the number of verified active scouts did not vary from the number of listed scouts or where other inconsistencies appeared, we independently verified the existence of the unit and of the number

of OFC program scouts within the unit. As a result of our independent validation, we determined that 356 of the scouts included in the staff survey were not, in fact, participating as of December 31, 2004 and should be eliminated from the number of scouts indicated by the staff survey. As a result of this adjustment, we determined that the number of properly validated OFC program scouts from the staff survey was 3,427 scouts out of the 10,238 listed who participated in OFC programs as of December 31, 2004.

3.5 Independent Sample.

We selected a statistically significant sample of 68 of the 482 listed OFC program units for independent verification. The 68 units included a majority of the larger OFC program units listed on the Council's records and also contained a sampling of smaller and medium sized units. These 68 units contained 4,863 or 47% of the 10,238 OFC program scouts listed on the Council's records.

For each of the 68 selected units we attempted to contact the sponsoring organization or the listed adult volunteers to verify the existence of the unit and the number of scouts who participated during 2004 in the activities of the unit. In some instances where no verification was possible of either the sponsoring organization or the adult volunteers, we attempted to verify with individual scouts the number who participated in 2004.

Our investigation indicated that of the 68 units tested by us 31 units were active, and that of the 4,863 OFC scouts listed on the records of the Council, only 1,683 scouts or 34.6% were participants as of December 31, 2004.

In addition to these scouts whose annual registration was paid by OFC program funds, there were other scouts whose registration was not paid by OFC program funds, but who received OFC program funds for other purposes. We reviewed the OFC program scholarships given for summer camp, uniforms and supplies. We found that 63 scouts in 18 units received OFC program financial assistance who did not receive OFC assistance for membership registration.

3.6 Inflation of Membership.

During the course of the investigation, we reached certain conclusions as to how and why the number of OFC scouts and units listed on the records of the Council had been inflated.

At the outset, we found most of the staff of the Council to be honest, dedicated to bringing the benefits of the scouting program to the youth of the area and fully cooperative with our investigation. However, as described below, a problem with regard to OFC program membership did exist within senior staff and some staff in Field Services.

Scouting rightly sees itself as "a membership driven organization." To bring the benefits of the scouting programs to youth, it must constantly recruit new members. Because scouts

quickly become too old to stay in the programs, new scouts must be recruited each year just to maintain membership levels.²⁰

Field Services staff responsible for recruiting were evaluated by the Director of Field Services on the basis of meeting specific goals in the recruiting of scouts, fundraising in units for which they are responsible and the quality of scouting programs. In inner-city or disadvantaged areas where the OFC program operated, the opportunity to excel at fundraising was limited or non-existent, which put additional pressure on field staff working in such areas to achieve their individual recruiting goals. During this period, there was a decrease in the number of inner-city youth from which the OFC staff recruited members. With funds in the OFC account available to pay for the registration (or re-registration) of OFC scouts and with goals established by the Scout Executive and the Director of Field Services to increase membership, the temptation to use the easily available OFC account to register enough OFC scouts to meet individual recruiting goals proved, in some cases, too great to resist. By meeting recruiting goals, Field Services staff protected their salaries and benefits, and qualified for possible promotion by senior staff focused on the achievement of specific membership and fundraising goals. With at least one Area Field Director's tacit or conscious approval, larger and larger numbers of inactive OFC scouts and OFC units were added to or kept on the records of the Council by some of the District Executives and District Directors. In each year that inflated scouts or units were registered by a staff member it was necessary to inflate at least that number in the subsequent year just to stay even, so the inflated membership numbers grew each year and the membership overstatement compounded.

A few examples of how the inflation of membership numbers took place are instructive in understanding what occurred.

The process by which OFC monies were utilized to fund the \$10 annual registration fee for scouts and the \$20 annual registration fee for units was the use of a Registration Funding Request Form (the "Funding Request"). This Funding Request listed the adult leaders, the number of scouts seeking registration and required the signature of the head of the sponsoring organization requesting the funding, a certification of the District Executive or District Director that the youth were "properly recruited" with parental consent, a certification by the Area Field Director that he has verified the request of funding and an approval of the Director of Field Service. In practice, where membership inflation occurred, the Funding Request form was not properly followed.

In some instances, scouts or units were re-registered even though they had become inactive or after scouts had grown too old to participate in the particular program. In other cases, scouts and units were registered before they had been properly organized, and then left on the membership list in subsequent years after the organization of the unit failed to take place. In a few instances, we could find no evidence that a unit had ever been formed or that the listed scouts had ever participated.

²⁰ Cub Scouts must be 7 to 10 years old; Boy Scouts must be 11 to 17 years old.

For example, in six of the units we sampled, the purported signatures of individuals identified as head of the sponsoring organization did not occupy that position at the time the Funding Request was executed. We found over 90 sponsoring organizations where the listed contact telephone numbers for the sponsoring organization had been disconnected and where the listed adult leaders had not been involved in the program for more than a year. In one case, the principal of the school whose purported signature was on the form as head of the sponsoring organization had not served as principal at that school for three years.

In another unit, the birthdates were altered by a District Executive for all 87 cub scouts, each of whom had become too old to continue to participate in the cub scout program. With the altered birthdates, the scouts were continued to be listed as active in the unit.

We found nothing to indicate that the volunteers, who play a central role in making scouting programs possible, knew of or participated in the inflation of membership. On a number of occasions, volunteers expressed concern to senior staff about membership numbers. In two instances, volunteers who served on the Executive Committee of the Council asked the Scout Executive about the accuracy of membership numbers and were assured that the membership numbers of the Council were accurate. Most importantly, when the specific allegations were made in September 2004 regarding the OFC program, the Executive Committee of the Council took action to appoint the Special Committee, which hired independent counsel to conduct an investigation and submit a report.

4. Conclusion.

We found no evidence that the inflated membership arose from a specific intent by staff to assist in fundraising. Instead, the inflation of membership appears to have arisen from a desire on the part of certain of the Field Services staff to meet their recruiting goals regardless of the method of doing so. The errors and misstatements occurred because the procedures for membership and unit enrollment were inadequate, no verification of enrollment data was performed and there was inadequate leadership and supervision of the process and of the staff by the Scout Executive and the Director of Field Services.

Applying the 34.6% percentage of participating scouts that we found in our test sample to the 10,238 OFC program scouts listed on the records of the Council, our test sample would indicate that of the 10,238 OFC scouts listed on the records of the Council only 34.6% or 3,542 OFC scouts were participants at December 31, 2004.

Taking the average of the 3,427 participating OFC scouts indicated by the staff survey and the 3,542 participating OFC scouts estimated from our sample, we concluded that approximately 3,485 OFC scouts were participating in Scouting Programs as of December 31, 2004 out of the 10,238 that were listed.

In traditional scouting, the attrition rate measuring the difference between the number of scouts validly registered and the number of scouts who participate during the year is 30%. In testing the attrition rate of scouts in OFC program units, we determined that the attrition rate in

OFC program units was 35%.²¹ Applying the 35% attrition rate to the estimated 3,485 participating OFC scouts as of December 31, 2004, we determined that the number of OFC scouts validly registered, and therefore the number of youth served by OFC, during 2004 was approximately 5,361.

As a result of our investigation, we determined that the Council's public statements that "over 15,000" OFC scouts were served by or were members of OFC scouting programs during 2004 was in excess of the 10,238 OFC scouts listed on the records of the Council, and that the actual number of youth served in the OFC program during 2004 was approximately 5,361, of which approximately 3,485 were active members of the scouting programs as of December 31, 2004.

VI. RECOMMENDATIONS

It is our recommendation that in connection with all Operation First Class programs the Executive Committee of the Council implement improved policies, procedures and oversight to ensure that membership and unit counts are accurate. Specifically the following recommendations should be instituted:

1. **Membership and Unit Enrollment Process.** Develop and document appropriate membership and unit application and verification procedures. These procedures should be reviewed for adequacy by the membership and audit committees of the Executive Board and include the following:

1.1 All OFC program scouts should be required to register or re-register with the Council on an annual basis by completing a membership application or renewal form which should require the written consent of a parent, guardian or other responsible adult.

1.2 The Council should revise the OFC program funding request forms and procedures which request funding for the annual dues of individual OFC program scouts and annual chartering fees for OFC program scouting units so as to provide additional checks and balances reasonably sufficient to prevent the overstatement of OFC program scouts and units.

1.3 All policies regarding membership should be in writing.

1.4 The District Director, or the Area Field Director for districts in which there is no District Director, should review the file of each chartering organization and confirm that the membership policies have been complied with and confirm either in person or by telephone all OFC program funding requests with the head of the sponsoring organization.

²¹ We reviewed the regions comprising the Council and determined that four regions contained over 80% of all the OFC program participants. For two of those regions the accuracy of the data was not sufficient to use in our analysis. The two remaining regions, known as East Atlanta and Soapstone Ridge, included 47% of the OFC program scouts found in our procedures. The percentage of units and scouts for those regions that were not retained at December 31, 2004 was approximately 35%.

2. **Verification Procedures.** The Executive Board should institute specific procedures to be performed regularly to verify that procedures outlined are being followed:

2.1 The Council should designate a member of the staff of the Director of Finance Services to act as an internal auditor to implement such procedures as are reasonably necessary to ensure that information as to the units, volunteers and scouting members of the OFC program are valid. Such procedures should include testing and verification similar to that utilized by us in the preparation of this report. The designated staff member should report on such matters directly to the membership committee of the Executive Committee. All contact information for chartering organizations and volunteers of Operation First Class units should be updated on an annual basis.

2.2 The Council should form a committee consisting only of outside Directors to review on a no less than semi-annual basis compliance with the recommendations of the Council's external auditors and recommendations set forth in this report.

2.3 The external auditor in preparing the Council's annual audited financial statements should have added to its scope of services testing, sampling and the recommendation of internal procedures sufficient to give the Council a reasonable assurance that membership numbers are accurate.

3. **Public Statements.**

All external statements made on behalf of the Council regarding membership or participation in scouting activities should be approved in writing by the Scout Executive and provided to the membership committee. All such statements should contain a specific reference as to the date that such statement is effective. For example, "in 2004 the Council had 3,500 scouts actively involved in its Operation First Class program."

4. **Other Corporate Governance and Oversight Procedures.**

4.1 The Council should develop, adopt and disclose to all employees a process, including an employee "hotline," to allow those involved in Scouting – including employees, sponsoring organizations and volunteers, – to anonymously report complaints or misconduct to a committee of the Executive Board. A process should be set up to investigate such complaints and correct any problems or explain why corrections are not required.

4.2 During the course of our investigation, we found no clear document retention policy. The Council should institute a mandatory document retention policy consistent with the requirements of the Sarbanes-Oxley Act of 2002. Such policy should contain a provision that if an official investigation is underway or suspected, all normal document destruction should immediately cease to avoid the possibility of criminal violations. The Council should require that the staff conduct ethics training for all employees to reinforce the requirement that Scouting's code of ethics apply to scouting employees in the performance of their responsibilities.

Media Contact: Jenna Crutchfield
Atlanta Area Council
770-956-3178 (W)
404-520-1071 (C)

Boy Scouts of America – Atlanta Area Council Releases Results of Independent Review

ATLANTA, May 31, 2005 – The law firm of McKenna, Long & Aldridge has completed its independent report reviewing the Boy Scouts of America – Atlanta Area Council chartering, registration and funding processes.

A special executive committee task force of the Atlanta Area Council board retained the law firm in October 2004 to conduct a comprehensive review. The review was in response to allegations of inflated inner-city membership numbers by the Rainbow/PUSH Coalition.

Over the past six months, with help from accounting firm Habif, Arogeti and Wynne, the law firm analyzed thousands of pages of documents and conducted more than 40 interviews within and outside the Council to ascertain the validity of three allegations made by the Rainbow/PUSH Coalition, in September 2004.

The allegations were that membership numbers in the Council's traditional programs were inflated; funds raised for the Operation First Class program (OFC) – the Council's program for inner city, at-risk youth – were used for other purposes; and that membership numbers in OFC were inflated.

"We were asked by the Council's executive committee task force to be 'independent and impartial' in our review efforts," said Ed Sims of McKenna, Long & Aldridge. "As a part of our review, we were given access to all aspects of the Atlanta Area Council."

The 19-page report states that numbers in the Council's traditional Scouting units and Learning for Life program – which together represent more than 90 percent of the Council's total program – are accurate. In 2004, Atlanta Area Council had just over 35,000 youth in traditional units and over 27,000 in the Learning for Life program. Learning for Life is a program organized by the Atlanta Area Council and delivered in over 200 schools throughout the Council's 13-county area.

The report also concludes, "No OFC contributions received from any donor were misappropriated or used for any purpose other than OFC programs for which they were intended." From 1991 to 2004, the Council raised \$4.2 million for Operation First Class and allocated an additional \$2.2 million in non-designated funds for the Operation First Class program, for a total 13-year expenditure of \$6.4 million.

With respect to the last allegation, the review pinpointed violations of the registration process within Operation First Class. Specifically, Council records showed slightly more

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than 10,000 Scouts enrolled in Operation First Class, while the review confirmed there were just over 5,000 validly enrolled Operation First Class Scouts.

"We were deeply disappointed to learn that membership numbers in our Operation First Class program were inflated," said Tom Gay, Board President. "The report shows that this serious problem resulted from some of the paid staff members who repeatedly broke rules within the registration process. We will be swift to rectify the situation and put in place a more accountable system."

The reviewers found "no evidence that the inflated membership arose from a specific intent by staff to inflate numbers to assist in fundraising."

According to Gay, he and fellow volunteers on the special task force are working quickly to implement recommendations outlined in the report. The Council is implementing a membership auditing procedure that will ensure careful and accurate membership reporting in all Scouting programs. Gay said staff employees who were involved in the abuse of the registration process would be re-trained, counseled and disciplined appropriately. Additionally, a group of volunteers and professional staff will review and recommend improvements to the Operation First Class program.

Scout Executive David Larkin resigned after reviewing the report, citing personal and professional disappointment in its findings. In a written statement, Larkin said, "As Scout Executive of the Atlanta Area Council, I am charged with overseeing all activities of the organization. When those activities do not reflect the principles and integrity of the Boy Scouts of America, at any level, I take full responsibility."

Jim Terry, a career professional Scouter, will serve as interim Scout Executive as a special selection committee searches for Larkin's replacement.

"All in all, we must learn from this unfortunate experience and work to prevent it from recurring. We have an 89-year tradition of passing on to the youths of our community the life-building experience, character and citizenship that come with wearing the Scout uniform, and we are committed to continuing this tradition with honesty and integrity," said Gay.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 04/18/2005

An individual in a position to testify e-mailed the interviewing agent information. A copy of the e-mail has been placed in the files of the FBI. The individual forwarded an explanation of how the GREATER ALABAMA COUNCIL of the BOY SCOUTS OF AMERICA pads its membership rosters.

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Investigation on 03/22/2005 at Birmingham, Alabama *ell* *Brown*
File # [redacted] 46H-BH-51721-61 Date dictated 04/18/2005
by SA [redacted] *APR 22 2005*

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 04/18/2005

An individual in a position to testify e-mailed the interviewing agent information. A copy of the e-mail has been placed in the files of the FBI. The individual forwarded a current membership count for the GREATER ALABAMA COUNCIL of the BOY SCOUTS OF AMERICA.

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Investigation on 03/30/2005 at Birmingham, Alabama
File # [redacted] 46H-BH-51721-62 Date dictated 04/18/2005
by SA [redacted] APR 22 2005

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/08/2005

An individual in a position to testify provided the following information:

Individual advised that [redacted] were forced out of scouting by the GREATER ALABAMA COUNCIL of the BOY SCOUTS OF AMERICA.

[redacted] advised individual that [redacted] out of scouting.

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Individual advised that [redacted] are on the list of people that GAC has compiled to be forced out of scouting.

Individual advised that eight District Executives are willing to be interviewed and may quit their jobs.

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Investigation on 05/11/2005 at Rockville, Maryland

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File # [redacted] *46H-BH-51721-63*

Date dictated 06/08/2005

by SA [redacted]

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 06/08/2005

An individual in a position to testify e-mailed the interviewing agent information. A copy of the e-mail has been placed in the files of the FBI.

Individual advised that [redacted] home telephone [redacted] work telephone [redacted] was responsible for units chartered through the [redacted] discovered ghost units in Birmingham, Alabama.

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Investigation on 06/07/2005 at Birmingham, AlabamaFile # [redacted] 46H-BH-51721-64 Date dictated 06/08/2005by SA [redacted]

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7/18/05 7/28/05 uploaded
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FEDERAL BUREAU OF INVESTIGATION

Precedence: ROUTINE

Date: 08/03/2005

To: Birmingham

From: Birmingham

Squad 4

Contact: SA [REDACTED]

Approved By: [REDACTED]

Drafted By: [REDACTED]

Case ID #: 46H-BH-51721-65 (Pending)

Title: CHANGED

[REDACTED]
BOY SCOUTS OF AMERICA -
GREATER ALABAMA COUNCIL

INDEX

Synopsis: To report title change.

Previous Title: Title marked "Changed" to reflect the addition of subject [REDACTED] Title previously carried as [REDACTED] BOY SCOUTS OF AMERICA - GREATER ALABAMA COUNCIL, 516 LIBERTY PARKWAY, BIRMINGHAM, ALABAMA."

Details: Investigation at Birmingham Division has revealed that [REDACTED] instructed employees and volunteers of the Boy Scouts of America - Greater Alabama Council, consisting of 22 counties within Alabama, to overstate the number of scouts enrolled. [REDACTED] at the Boy Scouts of America - Greater Alabama Council.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 08/05/2005

An Individual in a position to testify provided the following information:

Individual advised that [redacted] have received letters of dismissal from the BOY SCOUTS OF AMERICA. Individual advised that [redacted] is appealing the dismissal and filing suit.

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INDEX

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Investigation on 08/05/2005 at Birmingham, Alabama (telephonically)
File # [redacted] 46H-BH-51721-67 Date dictated 08/05/2005
by SA [redacted] AUG 9 2005

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 08/05/2005

An Individual in a position to testify provided the following information:

[redacted] advised Individual the there have been discussions at the GREATER ALABAMA COUNCIL (GAC) [redacted] Individual advised that [redacted] confronted [redacted] about the [redacted] e-mailed [redacted] and advised [redacted]

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Individual advised that he/ she does not know the results of the recent audit by the GAC volunteers. Individual believes that [redacted] delivered the results to [redacted] After seeing the results of the volunteer audit, [redacted] ordered a forensic audit by outside auditors.

Individual advised that [redacted] searched the name "John Doe" on the GAC computer system around July 22, 2005. [redacted] found over 1,000 scouts enrolled in GAC by the name "John Doe." Individual believes that this list has been sent to the FBI. Individual advised that [redacted] has been helping the auditors at GAC. [redacted] showed the auditors where to find the fraudulent scout memberships. Individual advised that the auditors are taking "an aggressive approach."

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Individual advised that a representative from the regional BOY SCOUTS OF AMERICA office visited GAC around July 25, 2005. The regional representative met with [redacted] The regional representative's goal was to resolve the "bad blood" [redacted] advised the regional representative that [redacted]

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Individual advised that GAC employees were told by their superiors that they would be fired if they spoke to the volunteers who are considered "trouble makers."

Individual advised that the council's reported membership as of May 2005 is about 41% less than the membership that was reported in May 2004. An attorney from Cullman, Alabama was quoted

Investigation on 08/05/2005 at Birmingham, Alabama (telephonically) *Shan*
File # [redacted] 46H-BH-51721-68 Date dictated 08/05/2005 *0 2005*
by SA [redacted]

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Continuation of FD-302 of _____, On 08/05/2005, Page 2

in the Decatur Times newspaper; this attorney advised that the decrease in membership was due to the schools fear of the ACLU.

Individual advised that council documents demonstrate that there are only about 50,000 scouts whereas the council reported over 100,000 scouts to the UNITED WAY.

Individual advised that the amount of pay a council scout executive receives is proportionate to the number of scouts enrolled.

Individual advised that [REDACTED] has evidence from [REDACTED] regarding the financial books.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 08/10/2005

[redacted] was interviewed by telephone. After being advised of the identity of the interviewing agent and the nature of the interview, [redacted] provided the following information:

[redacted] advised that [redacted] for the GREATER ALABAMA COUNCIL (GAC). She gave worksheets for the 2003 school year to [redacted] at Comer. [redacted] gave the worksheets to [redacted] knew that [redacted] would have kept the paperwork. The paperwork and worksheets were the last documents given to her for a work assignment.

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[redacted] talked to [redacted] a week after she received the paperwork. [redacted] advised that a District Executive (DE) gave her paperwork for the scout units that she would be working with. [redacted] went to the schools and organized a meeting. According to the paperwork thirty-five to forty scouts were enrolled, but only five to six scouts showed up for the meetings. She was only allowed to work a certain number of hours each week. The thirty-five to forty scouts represented a third of the units assigned to her.

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[redacted] advised that according to [redacted] a lot of the scouts do not really exist. A DE went to a school to start a unit and returned to GAC with the names of children and blank applications. [redacted] was instructed by the DE to sign her name to these same applications. [redacted] questioned the DE [redacted] and was told that it was her job.

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On November 16, 2004 at Wallace Hall at a junior college in Gadsden, Alabama, [redacted] spoke to [redacted]. There was a dream night event occurring this evening. [redacted] told [redacted] that the council had just completed an internal audit. [redacted] advised that the council did well in the audit.

After the dream night, later in November 2004, [redacted] called [redacted] who recently resigned from GAC. DE's reported to [redacted] at GAC. [redacted] chuckled about the internal audit. [redacted] said to [redacted] that "when one guy audits the books of another and vice versa, do you really think they are going to find anything." [redacted] indicated to [redacted] that the

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Investigation on 12/12/04 at Birmingham, Alabama (telephonically)
File # 46H-BH-51721 - 69 Date dictated 08/10/2005
by SA [redacted] *jet*

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Continuation of FD-302 of [REDACTED], On 12/12/04, Page 2

DE's were paying the registration fees from their own pockets because of bonuses at the end of the quarter.

[REDACTED] advised that [REDACTED] was [REDACTED] in the Chachalaca Council twenty to twenty-five years ago. He was promoted in Birmingham, Alabama and the membership numbers grew rapidly. [REDACTED] was in scouting at this time. [REDACTED] advised that [REDACTED] went to Montgomery, Alabama and was [REDACTED]. Montgomery, Alabama had tremendous growth in scouting during this time. [REDACTED] went on to a bigger office, New Orleans, Louisiana, and was [REDACTED]. New Orleans experienced growth during this time. [REDACTED] went to the regional office in Atlanta, Georgia where he [REDACTED] in the southern region, which included Dallas, Texas. The Circle Ten Council was in Dallas, Texas, and the scout executive reported [REDACTED] in 2000 and 2001.

b6
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Around December 8, 2004, [REDACTED] called a meeting of the council executive committee to discuss camp issues and misrepresentations to the council. The council was spending \$5-7 million on 3,040 acres of land that belonged to Delta Airlines retirement fund (Delta). [REDACTED] advised that the council was supposedly receiving a good deal on the purchase of the land. On December 6, 2004, [REDACTED] went to the Blount County, Alabama courthouse and discovered that the land no longer belonged to Delta. The land had been sold in February 2004 to Tillman and Kessler Lands (TK Lands), Gadsden, Alabama, for \$900 to \$1,000 an acre. TK Lands, a realtor, was selling the land to GAC for \$1,850 an acre. TK Lands took out a mortgage to purchase the property. GAC was getting a loan to buy the land. Both the GAC loan and the TK Lands mortgage required an appraisal. First Name Unknown (FNU) [REDACTED] of TK Lands was [REDACTED] appraisers association in Alabama.

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Around December 8, 2004 [REDACTED] told [REDACTED] that there was a meeting with camp rangers and other GAC employees at the camp property. [REDACTED] told the attendees how the new camp would be laid out. [REDACTED] told [REDACTED] that he had been looking for land for himself and found this land adjacent to that property.

b6
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There was a meeting on December 11, 2004, which was attended by [REDACTED] and about twenty other people. [REDACTED] did not attend this meeting. The meeting lasted four to five hours. [REDACTED] formed a volunteer audit committee for the

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Continuation of FD-302 of [redacted], On 12/12/04, Page 3

board of directors. [redacted] attended this meeting. The board of directors questioned [redacted] regarding problems with the council. The board was not pleased with answers that [redacted] gave. [redacted] reported that there was a 25% decrease in membership. [redacted] stated that the units' history can not be erased.

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FEDERAL BUREAU OF INVESTIGATION

Date of transcription 09/22/2005

[redacted] was interviewed. After being advised of the identity of the interviewing agent and the nature of the interview, [redacted] provided the following information:

He is being retaliated against by [redacted] [redacted] sent him a letter that said he interfered with other employees. He is demanding a written apology from [redacted] for the letter. He is going to call [redacted] at the regional BOY SCOUTS OF AMERICA office.

b6
b7C

[redacted] submitted an expense report for printer ink, and the money for the ink was denied. His wife was not allowed to be a cub master. He was told by his superiors at the GREATER ALABAMA COUNCIL (GAC) that his wife is no longer allowed to talk to [redacted] [redacted]

b6
b7C

He "stood up" to [redacted] for a scout volunteer; two days later he was told to stay at camp for the duration of the camp. At camp he was made to run the weed eater. He believes [redacted] and [redacted] are next on "the list" to be "kicked out" of scouts.

[redacted] told him that he found 8,941 kids enrolled in scouts by the name "John Doe."

b6
b7C

Three ring binders for the East Service Area were thrown in the trash at GAC. [redacted] a former volunteer, has been hired to work in the East Service Area. [redacted] knows how to "cook the books."

Investigation on 09/19/2005 at Birmingham, Alabama (telephonically)

File # 46H-BH-51721-70 Date dictated 09/22/2005

by SA [redacted] *gk*

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FEDERAL BUREAU OF INVESTIGATION
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